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ABSTRACT

This theme issue presents an overview of the breakup of the USSR and the challenges faced by the emerging states under former Soviet influence. The volume contains: (1) "Preface"; (2) "Soviet Union: Prelude to the Coup"; (3) "Summing Up the Past"; (4) "Eastern Europe Who's Who"; (5) "The Economics of Chaos"; (6) "Role of the United States"; and (7) "Back to the Future." In the chapter "Eastern Europe Who's Who," the countries of Hungary, Poland, Czechoslovakia, Bulgaria, Romania, Albania, Yugoslavia, and six Soviet Republics are profiled. Maps, a glossary of key terms, and classroom discussion questions accompany the text. (EH)

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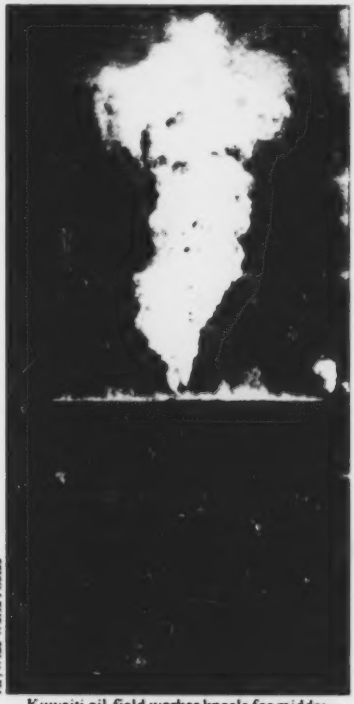

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U.S.S.R. AND EASTERN EUROPE

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JOHN C. KIMBALL is a career writer/editor. In 1949–50, as a special European correspondent for the *Chicago Sun-Times*, he covered the Marshall Plan and the reconstruction of Western Europe. Now, 40 years later, he writes about Eastern Europe as it begins a similar ordeal. A retired Foreign Service officer, Kimball has served as head of media operations on the NATO international staff, Brussels, and as senior editor and chief of publications in the State Department's Bureau of Public Affairs. Among his recent works is *Europe and North America: An Atlas/Almanac of Allies and Adversaries* (FPA, 1987).

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Preface

Last February, KGB General Oleg Kalugin gave the world a remarkably accurate scenario for the August 19 coup in the Soviet Union. Kalugin made the following points:

- *The Communist system was doomed; the old guard were desperate. Having no leader to offer the public, they would resort to martial law and totalitarianism.*
- *The military have the guns, but the Soviet people have a better weapon; they have civil disobedience.*
- *The attempt to impose a dictatorship would fail because the Soviet people are different now. They "will not stand again the years of suppression they sustained for so many decades."*

The general was right on target.

However, the speed of the collapse of the coup must have surprised even General Kalugin. If the coup leaders had picked up Russian President Boris Yeltsin at the same minute they arrested Soviet President Mikhail Gorbachev,

we might have witnessed a long and bloody struggle before Kalugin's predictions were played out.

As we move from the Gorbachev era into the Yeltsin-Gorbachev era, we should all pause a moment and savor the fact that Gorbachev did give us great history. In the beginning was his word, and the word was glasnost. *Within three years some 400 million people were emancipated with that one word. It ended the cold war and, in doing so, gave the whole human race a much better chance to focus on the problems of continued life on this planet.*

A disproportionate share of the great eras of history are best remembered for their wars. Whatever his faults, Gorbachev gave us an era the world can remember with joy.

This book explores the reasons for the August 19 coup and offers an overview of historical, political and economic factors that led us into—and now out of—the Gorbachev era.

John C. Kimball
September 1991

1

Soviet Union: Prelude to the Coup

The world held its breath a long time, waiting for the military coup. Finally, it came. Mikhail S. Gorbachev was removed from office August 19, 1991. Seventy-two hours later, the coup had collapsed and Gorbachev was back in Moscow.

The Soviet Union has been losing its definition. The edges are disappearing. Where there were Warsaw Pact* allies there are now drifting buffer states floating toward the North Atlantic Treaty Organization (NATO).* Where there was a rock-solid superpower, there are 12 rattling republics.

As the economy sagged and the infrastructure broke down, the Soviet Union began to look more like a region than a country, with more than 100 languages spoken; at least 18 are used by more than a million people each. Even the Russian Republic, with half the Soviet population, demanded autonomy from the central authority in the Kremlin.

To avoid all this, the military felt compelled to use troops against its own citizens, risking civil war in several republics. In this welter of uncertainty and conflicting interests, the question loomed: Who was running the store?

**NOTE: Starred words appear in glossary starting on page 94.*

In February 1991, Mike Wallace on CBS's *60 Minutes* asked that question of Soviet Ambassador Gennadi Gerasimov and got a hair-raising answer:

WALLACE: Who's calling the shots in the Soviet Union today?

GERASIMOV: Literally?

WALLACE: Yeah.

GERASIMOV (with a perplexed smile): Literally.

WALLACE: Literally.

GERASIMOV: Nobody.

During the program, Vladimir Posner, Soviet TV commentator, summed up the attitude of the Soviet conservatives toward Gorbachev:

"The brains in the conservative group are people who don't trust Gorbachev, and will try to get rid of him as soon as they possibly can, and I think that they despise Gorbachev. They fear Gorbachev. He is the man who changed this country, and he changed it irreversibly no matter what happens. It's never gonna go back to be what it was once. He is the man who allowed Eastern Europe to go away forever. It's never coming back."

The Gorbachev era started March 11, 1985, when he succeeded Konstantin Chernenko as general secretary of the Communist party of the Soviet Union. His first year was spent placing his own people in key positions of authority and consolidating his power. In 1986 the pace of reform speeded up with substantial improvements in human-rights actions, including the liberation of Andrei D. Sakharov and Dr. Yelena G. Bonner from their internal exile in the city of Gorky. Gorbachev campaigned for glasnost, and censorship and repression diminished. He outlined a new foreign policy and quickly set about implementing it.

Thanks to Gorbachev, the old alignment of Eastern Europe is shattered. The Warsaw Pact is ended—formally dead as of July 1, 1991, although the last Soviet troops are not scheduled to return home until 1994. Many troops have been pulled back to the Soviet Union faster than they can be absorbed. While this was going on, Gorbachev amiably supported the U.S.-led United Nations coalition against Iraq—a longtime client-state of the Soviet military.

KGB General Says Civil Disobedience Would Defeat Martial Law

Excerpts from the same *60 Minutes* program in which Mike Wallace interviewed former KGB General Oleg Kalugin:

KALUGIN: The whole society is disintegrating. It's just falling apart. . . . So Gorbachev is trying to save the pieces, but he will not be able to. I think that this system is doomed. . . .

WALLACE: So many Moscovites now say, quietly, martial law is coming in the Soviet Union. Do you believe that?

KALUGIN: That's what it looks like, yes. I see this is the advance of dictatorship. The one of which the former Foreign Minister [Eduard A.] Shevardnadze spoke before he resigned. He foresaw that . . . The break[up] of an empire, and in this case we are talking about an old-style empire, is inevitable. I'm sure it will break up and soon. . . . I think he's [Gorbachev is] a reformer, but one who would never . . . He would leave the system intact, but try to improve its image, some of its frightful aspects, to make it look more democratic, more palatable. I think he is, and he was always, a product of the Communist party, who will remain loyal to its basic values to the end, and he will not change the system. He may also . . .

WALLACE: And its basic values, let's face it, are totalitarian.

KALUGIN: Yes, exactly, absolutely right. . . . On the [political] right side today, I do not see a single personality who would attract any sizeable number of people in the U.S.S.R. . . .

WALLACE: The military . . . have the guns . . . the force.

KALUGIN: Yes, yes: Well, that's all right. But the people of this country, as well as any other, have something more. They have civil disobedience as a major weapon, and I'm sure this will, this country will be plunged into political strikes, and civil disobedience on a scale unimaginable in our country. . . . I think [martial law and dictatorship] may happen, yes. But this will not last long for the simple reason that people will not stand again the years of suppression they sustained for so many decades. . . . The Russian people today are different from what they used to be. Five years of perestroika changed the climate, the political, the conscience of the people. I mean, they are different today.

Conservative Backlash

After five years of ever-longer lines outside the food stores, would-be consumers lost their enthusiasm for *perestroika*—the restructuring of the economy—and began to blame the internal breakdowns on Gorbachev and the liberals. At first the mood of depression was exploited by national independence movements, but with a growing fear of anarchy the public mood appeared to become more receptive to reactionary dissent. The pendulum swung toward the sinecured conservatives—the apparatchiks,* the nomenklatura,* and especially the military.

Many military leaders are intensely bitter and feel a sense of betrayal. They have seen troops from once-proud combat units turned overnight into homeless street people. Their truly remarkable achievements in space and at sea are already partially dismantled. Their status as the world's most feared nation is gone. Their ties to client-states in the Third World are threadbare. In Iraq, their work in building the world's fourth-largest military force was wasted by the UN coalition forces while Gorbachev's generals sat and watched. The Soviet army and air force, heralded at budget hearings by the Pentagon itself for their "numerical superiority" over the West, are again humiliated vicariously because Soviet equipment and Soviet-trained personnel in Iraq, as in Korea, Vietnam, Syria, Egypt and Libya, cannot win air or land battles against Western planes and tanks and Western-trained pilots and troops.

As the Soviet republics break away, the results, in the eyes of the old guard, promise to be devastating.

For all these reasons and more, the military and the KGB tried to become again major players in shaping Soviet policies, foreign and domestic. When, after a secret legislative debate in Moscow, the Soviets ratified the German unification treaty on March 4, 1991, there were still 370,000 Soviet troops in East Germany; 100,000 troops and 50,000 civilians are scheduled to withdraw by the end of 1991, and the rest by 1994. Although the Soviet parliament ratified unification, it voted only to "approve" the troop withdrawal agreement until President Gorbachev provided more details.

The Soviets want German money to cover the cost of relocating a half-million troops and dependents and 1.5 million tons of military equipment, requiring 11,000 trains and 1,000 cargo ships, plus more than 150,000 new housing units and 400,000 jobs. In addition, Warsaw wants heavy payment for the movement of troops across Poland. Soviet military people claim the withdrawal and relocation could take nearly 20 years to complete.

On the face of it, it seems ironic that the United States was able to lift almost a half-million troops and equipment into the Middle East between August and January and win a 42-day war. The Soviet military, however, is staring at a stark reality: homes and jobs for the returning troops and their families are just not there.

The Germans have agreed to build 40,000 apartments on Soviet territory at a cost of $5.3 billion. That may take care of about 25 percent of the housing problem for the troops in Germany. Also as part of the treaty package, the Germans promise to cut their armed forces by half, give up claims to territory that they lost in World War II, and never acquire nuclear weapons.

Although the military and intelligence generals control the guns, they have yet to produce a popular leader to offer as an alternative to Gorbachev. The political power of Boris N. Yeltsin, president of the Russian Republic, has grown since the August coup. In 1987, Yeltsin, the radical Moscow party chief, was ousted because he campaigned for reforms that went beyond Gorbachev's programs. In March 1989, Yeltsin won a landslide victory for a Moscow-wide seat in the new Congress of People's Deputies. Yeltsin, who renounced his Communist party membership, won the first popular election for the leadership of the Russian Republic in its 1,000-year history in June 1991.

Whatever the future holds, historians will surely debate the crucial Gorbachev decisions of 1990 in which he turned away from his original supporters on the left to his old adversaries on the right.

From that political base, he opposed the immediate independence of Lithuania, Latvia and Estonia for fear of setting a

precedent for every other restless republic. Waiting in the wings to press their case for independence or greater autonomy, on the European side alone, in addition to the three Baltic states, were Belorussia, Moldavia, the Ukraine and, indeed, the Russian Republic itself. Trouble was also percolating on the southern and eastern perimeters of the union.

Western sympathies were strong for Gorbachev staying the liberal course. But the consequences of the sudden fragmentation of the Soviet empire were viewed as potentially disastrous. It would create geopolitical "black holes" not just in Eastern Europe, but in the Middle East, South Asia and the Far East, where historic hatreds and frustrations still wait to be vented if the Soviet Union becomes a powerless, dying empire.

Gorbachev had hoped for a show of national unity in the March 17, 1991, national referendum on the preservation of the U.S.S.R. as a "renewed federation" of equal sovereign republics, but the mixed results did little to strengthen his political support.

However, in April 1991 Gorbachev again demonstrated political agility and survivability. He suddenly reversed his field and on April 23 joined Yeltsin and representatives of eight other republics in a broad declaration of joint action on the Soviet Union's political and economic crises. Gorbachev agreed to allow at least nine republics to become sovereign states with far greater authority than they currently enjoyed under a new treaty of union.

He further agreed on adoption of a new constitution within six months after a new treaty among sovereign states was signed, under which the Congress of People's Deputies and the Supreme Soviet would be dissolved, and presidential and legislative elections held.

Yeltsin indicated that the nine republics that participated in the negotiations would form an economic federation after signing a new union treaty and constitution. The six republics that did not attend were Latvia, Lithuania and Estonia, which were demanding outright independence, and Moldavia, Georgia and Armenia, which were vowing independence at a slower pace. Gorbachev appeared to have acknowledged their right to do so in approving the joint declaration, which says that the six

Four days after the failed coup by hard-line Communists, Soviet President Gorbachev (left) addressed the Russian parliament. He was interrupted by Russian President Yeltsin, who pressed demands for greater power-sharing.

Reuters/Bettmann

republics have the right to refuse to sign the union treaty, but they would lose all current subsidies and would have to pay world prices in hard currency for oil, gas and other resources produced in the union, according to David Remnick, *Washington Post* correspondent.

The Yeltsin-Gorbachev alliance seemed to strengthen Gorbachev in his contest with Communist party hard-liners, who failed in their attempt to force Gorbachev's resignation, but it also changed the nature of the Soviet state and thus of Gorbachev's political role. In the new, more decentralized Soviet state, Gorbachev was no longer ruler but broker.

How Gorbachev Broke Up the Party

In 1956, Nikita S. Khrushchev, as first secretary of the Soviet Communist party, denounced Stalin, encouraged greater freedom of expression and tried to build bridges to the West. His attempts at liberalization produced the Hungarian uprising, the

Cuban missile crisis, the Prague Spring and the heavy-handed administration of Leonid I. Brezhnev.

Gorbachev came to power in 1985. For three years he built his political alliances, and then made the following moves.

In 1988, he introduced multicandidate elections and created a full-time parliament, cutting across significant lines of Communist party authority.

In 1989, in the first elections for the Congress of People's Deputies, many powerful old Communist deputies were defeated, further weakening the old guard.

In 1990, the Congress elected Gorbachev president of the U.S.S.R. The constitution was amended to delete the article guaranteeing the party's controlling role in society. He then led the Congress to end Politburo control of the Soviet Union and to separate the party bureaucracy from the official government. At this stage, Yeltsin and other more radical reformers left the Communist party to strengthen the democratic political opposition.

In 1991, Gorbachev announced plans for additional reforms encouraging private ownership of property and free enterprise. He rejected Marxism-Leninism and joined Yeltsin in drawing up the new union treaty giving greater autonomy or independence to the Soviet republics. On August 19, the day before the treaty was to be signed, the three-day coup took place.

When it was over, the Communist party was wrecked and the central government of the U.S.S.R. had lost all leverage in negotiations with the republics. The European republics—the Baltics, Belorussia, Moldavia and the Ukraine—joined the Russian Republic in the rush toward political independence.

On August 24, Gorbachev called for the dissolution of the party's Central Committee, saying that party leaders were guilty of the attempted coup, but he defended millions of rank-and-file Communists and said they must not be accused indiscriminately.

"In this situation, the Central Committee of the Communist party of the Soviet Union must make the difficult but honest decision to disband itself," Gorbachev said. "I consider it no longer possible to continue to carry out my duties as general secretary of

Yeltsin: 'A Coup Is Being Planned'

Rumors are going around Moscow that a coup is being planned for the next plenum of the Central Committee, with the aim of dismissing Gorbachev from his post of general secretary. . . . I don't believe these rumors, but even if they come true I shall fight for Gorbachev at the plenum. Yes, I shall fight for him—my perpetual opponent, the lover of half measures and half steps. These tactics he prefers will eventually be his downfall; unless, of course, he realizes his chief failing in time. . . .

Our huge country is balanced on a razor's edge, and nobody knows what will happen to it tomorrow.

It is slightly easier for the readers of this book than for me as I write. They will already know what has . . . become of me.

They will already know what has happened to the Soviet Union. And to all of us.

Excerpted from the autobiography of Boris Yeltsin, *Against the Grain* (New York, Summit Books, 1990).

the Central Committee of the Soviet Union and I relinquish corresponding authority."

Thus, August 20, the date when the union treaty was to be signed, became the point of no return. Eastern Europe was lost, and with the union treaty the hard-liners believed the U.S.S.R. itself would be shattered beyond repair. If a military coup was contemplated, it must take place by August 19. And it did.

Considering the explosive East European response in 1989–90 to Gorbachev's new liberalization policies, it is easy to understand the fear the Soviet military and civil hierarchy felt in the 1950s when Khrushchev encouraged liberalization in Eastern Europe. Left to run their course, the 1956 Budapest uprising and the Prague Spring of 1968 could have lit fires in the Soviet Union that could only be extinguished in a bloodbath.

After several years of glasnost and perestroika under Gor-

bachev, however, the Communist hard-liners no longer controlled the levers of power. The August 19 coup was a blunder of desperation, resulting in the following:

- dissolution of the 73-year-old Communist party and the destruction of virtually all significant connections of party members with the military, KGB and all other departments of government at the national and republic levels;
- a fresh, if shaky, commitment to market economics;
- accelerated fragmentation of the 15-republic U.S.S.R., making the union treaty largely irrelevant;
- probable acceleration and increase of Western aid;
- formation of an official coalition between Russian President Yeltsin and U.S.S.R. President Gorbachev;
- complete reorganization of the KGB and the military, with 80 percent of the commanding officers removed.

Instead of saving the union, the coup turned out to be a mighty blow for secession. On September 6, the three Baltic republics, Estonia, Latvia and Lithuania, regained their independence. The Soviet democrats have now had their rush of euphoria and, like the East Europeans a year ago, are pondering new problems. Not the least of these is how the republics and the federation will share revenues and responsibilities and who will control the nuclear missiles.

2

Summing Up the Past

In 1989, Soviet President Gorbachev, facing the imminent bankruptcy of his country, told the East Europeans they were on their own. "We have no . . . moral or political right," he said, "to interfere in events happening there."

A miracle. The marvelous candle-burning, hymn-singing, wall-toppling revolution brought an end to the cold war and all of Europe was wild with joy.

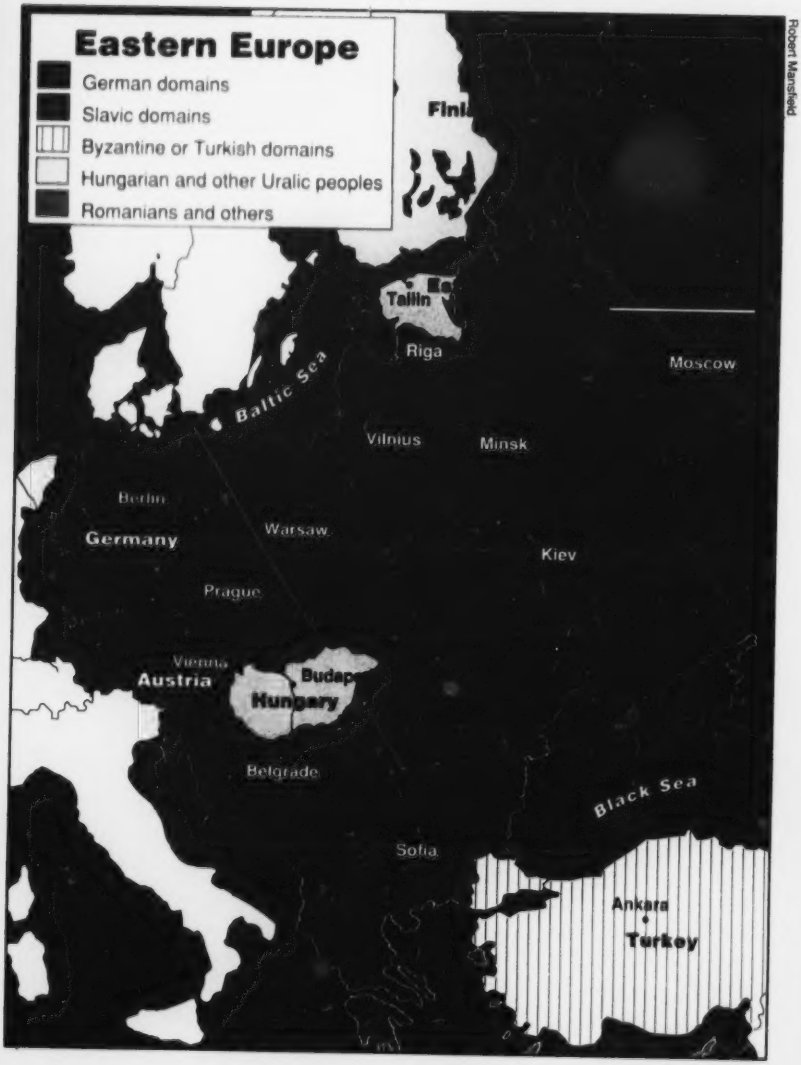
Now, the time of euphoria is over. The reaction has set in.

The failed August 19 coup against Gorbachev raises questions about the future of the U.S.S.R., Eastern Europe, East-West relations and the strategic arms reduction and conventional forces treaties.

Eastern Germans are junking their factories and losing their jobs, and many western Germans view eastern Germans as more of a costly burden than an asset.

Except for German aid for the former German Democratic Republic (East Germany) and the Soviet Union, substantial Western financial help has not materialized.

Despite the fact that Czechoslovakia changed its name in April 1990 to the Czech and Slovak Federal Republic to recognize the



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equality of the often-dissident Slovakian minority, there are growing signs of a secessionist movement.

In East Germany, Czechoslovakia, Poland and Hungary, the Communist parties disintegrated, but in Romania, Bulgaria and Albania the Communists won majorities in more-or-less free elections, and Communists still cling to power in the Serbian republic of Yugoslavia.

The Soviet Union and Yugoslavia are each on the brink of civil war because their republics and ethnic groups demand greater autonomy or independence from central governments.

In the Soviet Union, the liberalism of glasnost and perestroika that set Eastern Europe free and won the 1990 Nobel Peace Prize for Soviet President Gorbachev is under attack from military and bureaucratic reactionaries.

Ironically, despite the chaos, anarchy, hostility and failure, nearly everyone involved—even the militant Communist leaders in the Soviet Union and the Balkan states—has a single common goal: to join the West, get into the marketplace and obtain Western financial and managerial help. Nobody knows, at this stage, which countries, republics, or rebellious provinces of Eastern Europe will ultimately succeed.

Half have achieved freedom; the other half, still part of the Soviet Union, are demanding it. Eastern Europe is now suddenly and forever changed.

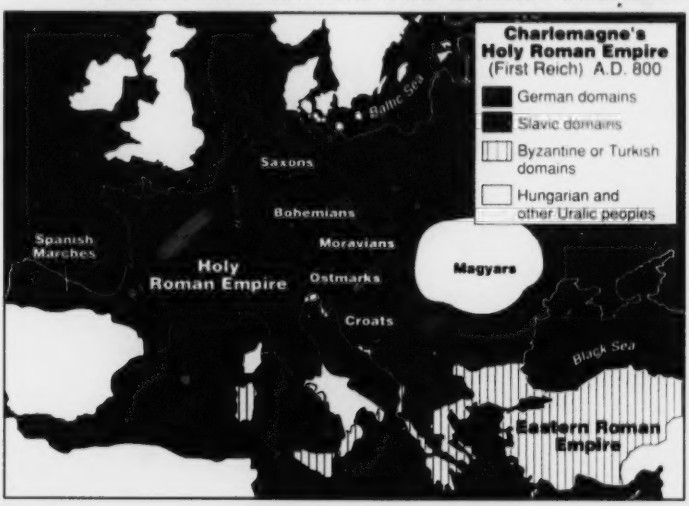
A broad definition of Eastern Europe is those European lands ruled during the past 1,500 years by the Germans, the Slavs, the Byzantines (Greeks) and the Turks. The history of the region can be sketched in four phases.

The First 1,500 Years

After the fall of Rome (A.D. 476), Germans pushed from the west, Slavs from the east, and the Anatolian powers (Byzantines until the fifteenth century, then the Ottoman Turks) from the south. Scattered among them were clusters of other language groups (Finns, Estonians, Hungarians, Romanians, Albanians) who would learn to survive among the giants.

The first East European states evolved among the German

Historical Political and Ethnic Shifts in



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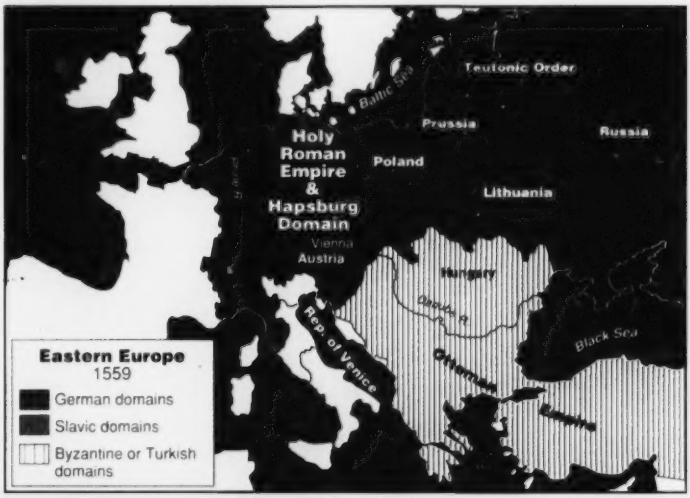
Eastern Europe through 1914



Robert Mansfield

Charlemagne (742–814), King of the Franks, was crowned Holy Roman Emperor in 800 and established German rule over Eastern Europe.

The Bettmann Archive

tribes in the eighth and ninth centuries, under the leadership of the Frankish kings—Charles Martel, Pepin the Short and Charlemagne. The Franks, a German tribe in the Rhineland, had conquered Gaul (France) about A.D. 500 and then pursued a policy of expanding their rule over all the German tribes, except in Scandinavia and Britain.

A superb organizer and administrator, Charlemagne established the first East European states and was crowned Holy Roman Emperor in A.D. 800. His domain, the First Reich, lasted 1,000 years, until 1806. (The Second Reich, formed by Otto von Bismarck in 1871, ended with Germany's defeat in World War I. The Third Reich, created by Adolph Hitler in 1933, was destroyed in 1945.)

Through the ninth and tenth centuries, Slavic and Magyar raids into Germany, Burgundy and Provence forced the establishment of well-defined defensive boundaries among the kingdoms and principalities along Germany's eastern frontier. A pivot point of Charlemagne's realm was Ostmark (Eastern March, now

Austria), a salient controlling much of the Danube River and the southeastern approaches to the German empire.

Charlemagne initiated the policy of *Drang nach Osten*—a push to the east in search of living space—in which Germans were encouraged to colonize beyond the eastern frontier. German nobles were given properties with Slavic serfs for labor. (From this practice comes the modern word *slave*.)

The Slavic tribes did not form states until the tenth and eleventh centuries, but when they did, they emerged organized and aggressive.

German King Otto I, who reigned from 936 to 973 claiming the mantle of Charlemagne, defeated the Magyars in one of history's great battles, at Lechfeld in 955. The nomadic Magyars returned to the Hungarian plain and gradually settled down. They took up agriculture and adopted Christianity. Towns were built along the Danube, guilds were formed, and the river soon carried to Germany, Austria, Bohemia, Hungary and the Black Sea nearly as much trade as was handled on the Rhine, the

Some 900 years after Charlemagne, Peter the Great (1672–1725), a major figure in the development of imperial Russia, called on the Germans to help him Westernize his country.

The Bettmann Archive

Robert Mansfield

busiest river in northern Europe.

Although subsequent Germanic rulers proclaimed themselves the heirs to Charlemagne's imperial power, for 900 years Germany proper remained largely a fragmented assortment of overpopulated principalities adjacent to a relatively lightly populated Slavic region. During this prolonged period, the dominant Germanic empire was centered in Vienna under the Hapsburgs.

For 1,000 years after Charlemagne, Eastern Europe was both meeting ground and battleground for Germans, Hungarians, Slavs and Turks (who twice laid siege to Vienna, in 1529 and 1683). Remarkably, the boundary fixed by treaty in 1043 between German Austria and Magyar Hungary lasted until 1919.

Germans continued to migrate to East European countries, often at the invitation of Slavic governments. This process was accelerated after Peter the Great, czar of Russia (1682–1725), decided that Germans should help him Europeanize his country. In time, nearly all East European countries had large colonies of

Germans—a fact to be exploited later by Hitler in his demands for German unification and lebensraum (territory considered necessary for national existence) in the east. Most of the Germans were peasants, but many were members of the elites—landed gentry and people of skill and affluence who became the employers of non-Germans.

Even after feudalism waned, powerful German princes resisted creation of centralized German authority until 1871, when Prussian Prince Bismarck established the German Empire under Kaiser Wilhelm I, on the heels of the defeat of France in the Franco-Prussian war. What followed was a European arms race involving all the empires and colonial powers, leading to World War I, the defeat of Germany, and the collapse in Eastern Europe of the entire imperial system—German, Austro-Hungarian, Russian and Ottoman.

The End of Empires

After the collapse of all four empires in World War I, the authors of the peace treaties fished through the imperial wreckage and pulled together an Eastern Europe similar in many ways to that of a thousand years ago. Clumps of ancient countries, provinces, kingdoms and principalities were given new shapes under their current names: Albania, Austria, Bulgaria, Czechoslovakia, Finland, Germany, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Turkey and Yugoslavia, plus what became, in effect, a recycled Russian empire—the Union of Soviet Socialist Republics (U.S.S.R.).

The "Big Four"—Britain, France, Italy and the United States (especially President Woodrow Wilson)—tried to create a settlement based on national self-determination after World War I, but that noble principle was often compromised.

With each border change, a country lost land, and thousands of people lost their homes. Revanchism* and irredentism* would poison the politics of Eastern Europe for the next quarter century. In every respect—militarily, economically and politically—the war had bled Eastern Europe white. Paper money was worthless and international barter was widespread. Poverty and

Between World War I

The time between the two great wars was only 20 years—barely enough time for another 30 million newborn children to reach the age of military conscription.

After World War I, Eastern Europe was impoverished, a generation of its young men decimated and its ruling empires trashed to anarchy. Out of the rubble crawled wounded, hungry, hating, vindictive people who formed gangs, mobs, armies of revolution and counterrevolution, revanchists, demagogues and ideologues—the building blocks for Hitler and Stalin. A few fragments from German-born Jan Valtin's classic memoire, Out of the Night, *describe better than the history books life in Eastern Europe between the wars. When the war began, Valtin's family was caught in northern Italy. They returned to Germany during the first year of the war.*

[World War I] taught me what mass hatred and chauvinism in its ugliest forms could be. Every news kiosk was plastered with pamphlets and posters showing German soldiers nailing children to tables by their tongues, or tearing out the tongues of beautiful young women. . . . On the way to and from school, and even in the garden adjoining our cottage . . . , I and other boys suspected of being German were bombarded with stones and manure of mules, beaten with sticks, spitten into our faces and hounded even through the broken windowpanes of our homes. . . .

My mother fought incredibly hard to keep her brood alive. . . . I wore clothes made of paper, my shoes were made of wood, in summer I went barefoot, and our staple food consisted of turnips and dismal bread, with potatoes rare and horsemeat a luxury. They were years in which we came to know the meaning of steady hunger, and in the winters, of fierce cold. We collected beechnuts in the woods to have oil, and acorns to have coffee. Like a pack of wolves, we boys would prowl at the edges of the estates and the fields and the army depots, stealing wood, potatoes and tinned food, and scavenging for precious coal in the vicinity of factories and railroad yards.

Repeatedly I was caught by an elderly forest-keeper or gendarme. Since I saw nothing wrong in such petty depredations, I arrived at a point where I regarded everyone who wore a badge of authority as an overbearing foe.

When I was almost 14, an older friend who was a journeyman to a master chimney sweep brought me into one of the youth groups of the Independent Socialists. . . . A scraggy band of child rebels, we met secretly in attics, in abandoned houses and even on roofs. We were taught by men who claimed they were deserters from the navy to hate the rich, to tell the poor that they must rise in a body and fight, to disrupt patriotic school meetings with itching powder and stink bombs which were given to us packed in candy boxes. . . . We [articulated] our contempt for established authority by hurling dead rats through the open windows of police stations. . . .

We armed ourselves with clubs and stones and burst in on the meetings. We tore the imperial flags from the pulpits and subdued the singing of "Heil Dir im Siegerkranz" with the German version of the Marseillaise. The teachers did not dare to interfere with our rowdyism. The better-dressed and better-fed boys we drove out into the streets.

Excerpted from Jan Valtin's
Out of the Night
(New York, Alliance, 1941).

Valtin became a Communist agent. When his wife and son were taken by the gestapo, the German secret police, he was forced to become a double agent. Finally, broken by months of torture, the murder of his wife, and the betrayal of and by everything and everybody he had believed in, Valtin, hunted by both Soviet and Nazi secret police, sneaked out of Europe in 1938 and into the United States.

Valtin's life is a metaphor for the heritage of hatred, hopelessness, cynicism, insanity and butchery that crushed Eastern Europe twice in a single generation.

political chaos produced authoritarian governments throughout the region. By 1938, Czechoslovakia—an island surrounded by fascism,* communism* and repressive monarchies—was the only democracy between Switzerland and Alaska.

In September 1938, Britain and France signed the infamous appeasement treaty with Hitler and Italian dictator Benito Mussolini at Munich, Germany, allowing Hitler's armies to put out the lights of the 20-year-old Czechoslovakian government.

After the shame of Munich, Britain and France could no longer pretend that war with Hitler was to be avoided by concessions. On September 1, 1939, Germany invaded Poland. The Soviet Union marched on Poland from the east two weeks later, and the two governments divided Poland. There was no way Britain and France could save Eastern Europe, but they declared war on Germany. World War II had begun.

By prearrangement, Germany and the Soviet Union had agreed to play an old, familiar game. The Nazi-Soviet nonaggression pact, signed only eight days before the invasion of Poland, was accompanied by a secret agreement for the division and subjugation of Poland, Romania and the Baltic states— Estonia, Latvia and Lithuania.

The nonaggression pact was short-lived. In April 1940, Hitler's armies invaded Denmark and Norway; in May, they defeated Belgium and the Netherlands; by June 22, France had fallen. In April 1941, German forces turned eastward, invading Yugoslavia and Greece. And on June 22, in alliance with Finland, Hungary and Romania, they launched a massive attack on the Soviet Union along a 2,000-mile front.

On the other side of the world, Japan, allied with Nazi Germany and Fascist Italy, had expanded its aggression from China to French Indochina and beyond. Its attack on the U.S. naval base at Pearl Harbor, Hawaii, on December 7, 1941, brought the United States into the war on the side of Britain, France and the Soviet Union.

The Allied victory came almost four years later, at the cost of tens of millions of dead. Germany capitulated on May 7, 1945. Japan surrendered on August 14, 1945.

Polarization*

After World War II, Soviet-occupied Eastern Europe was again redesigned—geographically along lines agreed upon by Allied leaders at conferences at Yalta, the Crimea, and Potsdam, Germany, but politically it was shaped by Soviet dictator Joseph Stalin (1879–1953). By 1950, the region was polarized—Marxist and non-Marxist. The Poles, East Germans, Czechoslovakians, Hungarians, Romanians and Bulgarians had Communist governments forced on them and were locked into the Soviet sphere of influence.

On the southern flank, Yugoslavia and Albania were ruled by Marxist governments, but were able to establish their independence because they were not occupied by the Soviet army. Under Marshal Tito (born Josip Broz), Yugoslavia emerged from the war with a powerful guerrilla army capable of defending its rugged terrain. Because of its hostility to the Soviet Union, Yugoslavia was expelled from the Communist Information Bureau (Cominform) in 1948 and became the first independent Marxist ("Titoist") state.

Albania joined the Soviet-led Warsaw Pact in 1955 but soon thereafter drifted from the Soviet orbit. In the early 1960s, Albania began aligning itself with China and endorsing Maoism,* the harder-line brand of communism practiced under Mao Zedong.

In the center of Europe, both Germany and Austria were occupied and divided into four zones: U.S., British, French and Soviet. West Germany—originally the U.S., British and French zones—fell naturally (and gratefully) on the democratic side of the symbolic iron curtain that divided Europe.

Austria's four-power occupation ended in 1955 on the understanding that the country would be neutral. Nevertheless, Austria adopted a democratic socialist form of parliamentary government, together with a market economy, and its political sympathies were with the West.

Thus, militarily, the region was divided into three parts—NATO, the Warsaw Pact, and the neutral, or nonaligned.

Politically and economically, there were only two groups:

closed societies and open societies—Marxist countries with their centrally controlled economies and single-party political rule, and Western countries with market economies and multiparty democratic politics. These patterns persisted until 1989 when Gorbachev, in effect, acknowledged the failure of Marxist economics and the inability of the U.S.S.R. to maintain its overextended power positions around the world. After 40 years of oppression and mismanagement, there was virtually instant revolution. East Europeans, for centuries the bastard children of Europe, demanded their independence and began the struggle for legitimization.

3

Eastern Europe Who's Who

Since World War II, most East Europeans, with the faith of Christopher Columbus, have wanted to sail to the West. The first boat, carrying Austria and West Germany, was able to make the trip soon after the end of the war.

The second boat, with seven countries—Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Romania and Yugoslavia—is on the high seas in rough weather. Most of them want to sail on, but three—Albania, Bulgaria and Romania—seem reluctant to leave the shared-poverty system of Marxism.* The Baltic republics regained their independence in 1991, but four other Soviet socialist republics (Belorussia, Moldavia, Russia and the Ukraine) are negotiating with the U.S.S.R. the terms for leaving port.

The revolution that brought down the Communist governments in Eastern Europe began in Hungary and Poland in a comparatively gradual and orderly way in 1989. It picked up momentum in the other Warsaw Pact countries, East Germany, Czechoslovakia, Bulgaria and Romania: in a matter of weeks, public pressure brought the governments down. Last to fall was the Albanian regime.

HUNGARY

For centuries, Hungarians considered themselves the eastern outpost of Western civilization in Europe. Under the Hapsburgs, Hungary was, in effect, the junior partner in the joint monarchy of Austria-Hungary from 1867 to 1918. Sharing the World War I defeat of Germany and the Hapsburgs, Hungary lost two thirds of its land and population in the peace settlements. Between the wars, it had an oppressive 25-year regency under Admiral Nicholas Horthy, who led the country back to the side of Germany in World War II in hopes of regaining the lost territories.

After the war the Communist minority, supported by the Soviet Union, seized power in 1947 and established a dictatorship under Moscow-trained Matyas Rakosi. Hungary became another Soviet satellite and a member of the Warsaw Pact.

As long as he lived, Stalin held Hungary and the other satellites on a tight leash. After his death, Khrushchev, elected First Secretary of the Soviet Communist party, condemned Stalin and indicated that Moscow would follow a somewhat more liberal policy toward the satellites. However, the expectations this aroused and the frustrations that were released led in 1956 to massive demonstrations of anti-Soviet feeling in Hungary, which were brutally suppressed by Soviet troops.

Thirty-three years later, Gorbachev urged the satellites to dispense with the failed Communist system and develop market economies. The Hungarians were quick to respond, and this time no Soviet troops interfered.

Hungary broke free, but the divorce was not as sudden as it would be in Czechoslovakia. There was simply a growing mutual understanding between Hungarian Communists and non-Communists alike that the Communists could not hold on to power. By the end of 1988 a multiparty system had begun to develop. Months ahead of any other bloc countries, Hungary

AP/Wide World Photos

Hungarian troops on the border with Austria dismantling the Iron Curtain in the spring of 1989.

began to prepare for an unprecedented orderly change to democratic government.

The Hungarian government was encouraged to pursue its westerly turn by the acceleration of reforms in Poland and hints that the U.S.S.R. would not oppose eventual neutrality in Hungary.

In May 1989 the Hungarian government began to dismantle the barbed-wire barrier that symbolized the Iron Curtain. Thousands of East Germans streamed into Hungary to cross to the West. They were taken by trainloads to West Germany, and suddenly, without plan or purpose, the unification of Germany became inevitable. Hungary had pulled the plug.

As the public grew more confident that democracy was really possible, dozens of political parties appeared, the most important of them being the Hungarian Democratic Forum, the Alliance of Free Democrats, the Association of Young Democrats and the Social Democrats. These are the parties that met at the round-table negotiations with the Communists to negotiate an orderly transition of government.

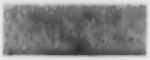
The negotiations, concluded in September 1989, determined that Hungary would become a democratic republic, with a unicameral legislature elected by universal suffrage. A new

constitution, approved the next month, provided for a weak presidency and a constitutional court.

Results of a series of local elections convinced the Communists they were in deep trouble. On October 7, 1989, they tried a name change from Hungarian Socialist Workers' party to Hungarian Socialist party, renouncing Marxism and embracing democratic socialism. The new name fooled no one, but by dissolving the original party they had destroyed party discipline, and the institutions controlled by the Communists were suddenly, inadvertently liberated.

In December 1989, parliament voted to dissolve itself and scheduled elections for March 25. The Communists, under their new name, lost most of their seats. Parliament immediately exploited the situation by enacting laws to destroy the Communists' power base. It dissolved the workers' militia and disconnected the network of party cells in factories and businesses, cutting the last lines of Communist power.

On June 16, 1990, Imré Nagy was ceremoniously reinterred, attended by a throng estimated at 300,000. It was belated recognition of the legitimacy of the 1956 revolutionary uprising that Nagy had led.



POLAND

When Poland regained its independence after World War I, it enjoyed a brief and turbulent parliamentary democracy. In 1926 it was replaced by an authoritarian regime imposed by Marshal Joseph Pilsudski. This was followed in 1939 by years of Nazi and Soviet occupation. Free elections called for under the Yalta agreement* were controlled by the Soviet-backed Communist party, and Poland remained a virtual dominion of the U.S.S.R.

The collapse of the Soviet empire was foreshadowed in Poland, the first Warsaw Pact nation to challenge the power of its Communist party. The opposition was led by the anti-Commu-

Poland: A Brief History

Boleslav I, king from A.D. 992 to 1025, is regarded as the true founder of the Polish state. The Kingdom of Poland reached its peak of power after it united with Lithuania in 1386 and went on to defeat the Teutonic Knights at Tannenberg in 1410.

The Teutonic Knights were a German military-religious order formed in Jerusalem during the Crusades. In 1226 a Polish duke had called on the knights to carry their antiheathen Crusade to Prussia. The deal was that they could keep any territory they conquered on the way. The knights firmly established the Germans in Mecklenburg and Brandenburg and took most of the lands along the Baltic coast in Prussia, Poland, Lithuania, Latvia and Estonia, blocking the Slavs from the sea.

After the Polish-Lithuanian victory over the Teutonic Knights in 1410, the Poles dominated the Baltic coast east of Germany for nearly 350 years. However, in the late eighteenth century the Polish pie was again carved up, this time by Prussia, Russia and Austria. Among the spoils, Russia acquired the Ukraine, Lithuania and White Russia (Belorussia).

nist Solidarity labor movement in 1980. Solidarity was headed by Lech Walesa, whose efforts were rewarded with the Nobel Peace Prize in 1983. He was strongly supported by Pope John Paul II (1978–), the former Cardinal Karol Wojtyla.

The Polish revolution grew out of Solidarity's eight-year struggle with the Communist government led by General Wojciech Jaruzelski. Although Solidarity was effectively banned and its leaders arrested in December 1981, it continued to function and challenge the government's authority. In the summer of 1988, widespread industrial strikes forced the government to agree to a series of roundtable talks with the workers which began February 6, 1989, and lasted some eight weeks.

Parliamentary Elections

Everything was on the table—working conditions, public health, housing, education, the environment, disaffected youth, local government and Marxist economics. No one anticipated the

earthshaking results. These included agreements by the Communists to legalize the Solidarity trade union and hold partially free parliamentary elections.

The election rules, which were agreed on at the roundtable talks, were set up to divide the power in the parliament between the Communists and the opposition, with the Communists and their tame-dog candidates guaranteed 65 percent of the seats. The June 1989 election was a disaster for the Communists. First, with a variety of groups competing for the 35 percent of the parliamentary seats available to opposition candidates, Solidarity won all 161 seats. They also won 99 out of 100 senate seats in the newly created bicameral legislature.

The Communists were further humiliated. Of 35 "elite" candidates running unopposed for seats to be held by government supporters, only two were elected because 33 failed to receive 50 percent of the vote. Jaruzelski was elected president and appointed Tadeusz Mazowiecki as the country's first non-Communist prime minister since the 1940s. Mazowiecki replaced Mieczyslaw Rakowski, who had served from 1988 until Jaruzelski's election, when he resigned.

During Christmas week 1989, the Polish parliament eliminated the Communist party's constitutional guarantee of leadership and changed the country's name from the Polish People's Republic to the Republic of Poland. In December 1990 Jaruzelski stepped down as president and was succeeded by Walesa.

Most of the East European countries trying to convert from a centrally controlled to a market economy approach it very carefully. However, the Poles, as a World Bank* economist put it, "decided simply to go cold turkey."

Struggle to Curb Inflation

Economists are reluctant to predict the results. The new government inherited horrendous handicaps. By the end of 1989 inflation was running at 900 percent, with a 240 percent rise in food costs. Meat production was down one third. Environmental and health conditions were bordering on the catastrophic. Water was polluted, 65 percent of the forests were

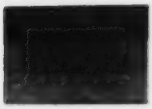
AP/Wide World Photos

Solidarity leader Walesa addressing a meeting in Warsaw on March 31, 1990, on the eve of local elections. At left is Prime Minister Mazowiecki.

affected by sulfur-dioxide emissions, 35 percent of the population lived in conditions of ecological collapse, and the number of people afflicted with psychological disorders was growing by about 30 percent a year. But by mid-1990, inflation had dropped sharply and prices had risen only 39 percent in the previous six months, according to the Polish Statistical Office.

Having little to lose, the Poles are going for broke. In March 1991, President Walesa flew to Washington, D.C., to try to redirect President George Bush's attention from the fresh victory in the Persian Gulf to the victories proclaimed in 1989 in Eastern Europe, which now faces economic disaster for lack of attention from the United States and the other Western nations.

Help has come from the United States, France and Germany, who agreed in March 1991 to write off about half of Poland's $33 billion debt. However, Poland still needs new money to energize the debilitated economy and support it through a difficult transition. Walesa says he seeks American business investments, not loans or grants.



GERMANY

The prelude to the reunification of Germany was remarkably swift. The East German reform process had been accelerated by the spontaneous exodus of East Germans through Hungary in 1989 when the Hungarians removed the barbed-wire barricades and opened the frontier.

In January 1990, Prime Minister Hans Modrow announced that the Communist government and the economy were out of control and that participation of opposition groups was needed. Former Communist party chief Erich Honecker had been placed under house arrest by East German authorities in December, and Modrow advanced the election scheduled for May to March 18.

On March 16, Modrow met with Soviet President Gorbachev in Moscow and declared that the German unification process must be gradual, and that a united Germany would not belong to NATO, but he was wrong on both counts. The anti-Communists scored a stunning victory in the March election, and West German Chancellor Helmut Kohl used the momentum to push for an early unification date.

Hasty Reunification

Fearing public reaction to "the dislocation and sacrifice," Chancellor Kohl rushed Germany into its October 3, 1990, unification "before the full cost of the process began to undermine his aura as the Unity Chancellor," according to *New York Times* correspondent Serge Schmemann.

Now, the great unification celebration is over and Germany has a hangover. People are wearing buttons and T-shirts reading: "I want my Wall back."

By current estimates, the cost of unification could reach $600 billion by the year 2000. This includes $100 billion in deutsche marks traded one-for-one for worthless East German marks.

AP Wide World Photos

Berliners atop the wall celebrating the opening of East-West German border, November 1989. In background is the Brandenburg Gate.

The per capita cost for all 78.4 million Germans comes to $8,000, but the 16 million impoverished eastern Germans will pay very little of the cost. Most of it will fall on the more affluent western Germans. The average share for a typical western German household of four could total $40,000. The cost to German taxpayers might be somewhat reduced if Germany is successful in competing with East European governments to attract U.S. and other non-German investment capital to eastern Germany.

For comparison, in America, where the cost of the savings and loan scandal is estimated at $450 billion, a family of four can feel lucky with only a $7,200 share of the debt. That's the good news for America.

On the other hand, the good news for Germany is that when the job is done, eastern Germany will have a supermodern industrial plant, built from the ground up. American taxpayers will get nothing for their $450 billion but a bigger national debt.

Most of the $600 billion will be spent in eastern Germany cleaning up the polluted land and modernizing virtually the entire industrial plant. The German government is organizing a massive denationalization program to unload $300 billion worth of assets formerly owned by East Germany. It has sold only 1,200 of the 8,000 state-owned companies earmarked for sale or shutdown. Nearly a third of eastern Germans were already unemployed or working part-time by April 1991, and peak unemployment is expected to reach 50 percent, but eventually reconstruction jobs should bring the figure down.

Like President Bush, Chancellor Kohl promised no new taxes, but economic realities have caught up with him, too. His too-sanguine estimates of the cost of unification have significantly damaged him politically in both eastern and western Germany.

All this means that the two wealthiest countries in the West—Germany and the United States—are short of cash when it is most needed by East European economies.

Unification Points Up Disparities

A variety of problems other than economic are raised by the marriage of a rigid Marxist society and a democratic one. For example, abortion is available on demand in eastern Germany, but is available in western Germany only for limited specified reasons. A single mother with child in eastern Germany receives full social security, but in western Germany she is eligible only for limited help. This dichotomy will continue only through 1991, after which all Germany must conform to western German laws.

One of the thorniest problems is personal land claims. Thousands of property owners had their homes confiscated by the East German government and are entitled under certain circumstances to compensation. More than 10,000 applications have been filed. Land-title questions must be settled before factories and land can be sold to new investors. In April 1991, German courts ruled that some 12,000 square miles of East German land confiscated by the Soviets between 1945 and 1949 cannot be reclaimed by the original owners. This frees up much of the land for resale to investors.

Beneath German eagle, Chancellor Kohl delivers opening address to united German parliament, October 4, 1990.

AP Wide World Photos

Relocation of the Capital

Another issue, the site of the nation's capital, was resolved in June when the Bundestag (the lower house of parliament) by a narrow margin voted to move it from Bonn to Berlin. Berlin is a Central European city, a seat of power with strong Prussian traditions. Bonn, a more graceful and modest city, relates more to France and the West. The relocation is expected to be made gradually, and could take 10 years or more.

In a different context, there are already two Germanys in foreign policy. There is the official reluctant dragon, slow to have any kind of military presence beyond its own borders, hypersensitive about its historic reputation for heavy-handed use of force, and totally supportive of the NATO alliance and the move toward a united Europe. This Germany appears to reflect the views of the great majority of the German people. The other Germany builds chemical, biological and nuclear-weapons plants in plain sight of the world, in countries like Libya and Iraq. The Kohl government has made a point of claiming ignorance of

these activities over the past several years—a disclaimer many find difficult to believe.

Future of NATO

These facts raise important long-range questions. Many people assume that in another decade or so, NATO will have outlived its usefulness. NATO has always been a moderating factor in European affairs, especially in the involvement of Germany as a partner in the Western community. After the dissolution of the North Atlantic alliance and after the U.S. military withdrawal from Europe, what?

Germans are pushing hard for faster European integration. Will they have the patience to wait for the slower members? Will they resist the natural urge, as Europe's strongest power, to step out in front and take the lead? Will Berlin become the capital of a new Hapsburg-like economic empire? These things need to be studied, and soon.

In Eastern Europe, Germany is out in front. Big-spending German businesspeople and tourists are the most frequent hard-currency nationals seen in most East European countries. German is the most widely used second language in Czechoslovakia and Hungary. A Hungarian nightclub owner says his 2,000-seat club in Budapest does a thriving trade with hard-currency businessmen, tourists and diplomats, and Germans make up the largest part of the clientele.

Private German capital may make up in part for the shortage of government cash. For the very reason that Poland, Czechoslovakia, Hungary and Yugoslavia are hard up, there are bargains to be had, and the Germans are hustlers. The Germans, Czechoslovaks and Hungarians have traditionally done a lot of business together. With or without an expressed policy of development in Eastern Europe, it will happen because it is natural and potentially profitable.

The high cost of German unification will slow down the pace, but it will not change the 1,000-year pattern. Other countries will play important roles, but the Germans are likely to be there first with the most.

CZECHOSLOVAKIA

Czechoslovakia, the union of the Czech (Bohemian and Moravian) and Slovakian lands, was officially proclaimed in 1918 with the assistance of President Wilson. They had lost their national independence to Austria in 1620 and over the course of the next three centuries would be under the rule of the Austrian monarchy.

Czechoslovakia was the only East European country to maintain an effective parliamentary democracy from 1918 to 1938. It was nevertheless destabilized by problems with the 22 percent German minority, mostly living in the Sudetenland bordering on Germany. In 1938 Hitler, with French and British acquiescence, forced the Czechoslovakian government to cede the Sudetenland to Germany. This was followed in March 1939 by the Nazi invasion of what remained of the Czech region, and the creation of a puppet state in Slovakia.

In retaliation, after the German surrender in 1945, 2.5 million ethnic Germans were expelled by the Czech government. With strong support from the Soviet Union, the Communist party was able to gain 38 percent of the vote in the 1946 elections. It was able to control key government posts and isolate the country from the West. The Czech party, like the Communist parties in the rest of Eastern Europe, was under the discipline of Moscow operating through the Cominform, which had been established in 1947.

In February 1948, the Communists seized power from Czechoslovak President Eduard Benes and began Stalinist purges in which dissidents were jailed or murdered. The country's position as a Soviet satellite was fixed.

After 20 years of iron rule by the Communists, discontent accumulated to the point where the president and party leader, Antonin Novotny, was replaced by Alexander Dubcek, a more benign Communist. In January 1968, Dubcek began political,

economic and social reforms with the stated goal of giving socialism a "human face."

Dubcek called for changes in the Warsaw Pact and sought to improve relations with all countries—Communist and non-Communist. In April 1968 a program was adopted setting guidelines for freedom of speech, travel, press and assembly. Communist party control of the government was to be modified to reduce the direct interference of political people in the operational decisions of the bureaucracy. Courts would be independent. Elections would be by secret ballot for multiparty candidates. The public began to take an interest, and so did the Kremlin.

The season of reform became known as the Prague Spring. But on the night of August 20, 1968, Soviet and other Warsaw Pact divisions rolled into Czechoslovakia. Czech leaders were secretly hauled off to Moscow and forced to sign a treaty agreeing to the "temporary" stationing of Soviet troops in Czechoslovakia. In April 1969 Dubcek was replaced as party leader.

For the next 20 years the people seemed numb from the shock. Whereas the Hungarians shook off the trauma of their failed revolution of 1956 and again began to experiment with the marketplace and test the limits of Soviet patience, the Czech government hewed to the most conservative Moscow line. But 20 years was time enough for a new generation to grow up. When Gorbachev announced his new policies of glasnost and perestroika, the lid blew off the pressure cooker.

As 1988 ended, the Communist party still seemed comfortably in power. The party leader, Milos Jakes, was slow to read the signs. In Poland, reform was already a fait accompli. Hungary with little fanfare was opening its frontiers. Still, Jakes rejected the reform policies of glasnost and perestroika urged on him by Gorbachev.

However, evidence of chronic economic failure was piling up, and consumer goods were disappearing from the market, exacerbating popular unrest.

In January 1989, there was a six-day student demonstration commemorating the twentieth anniversary of the death of Jan

Alexander Dubcek, leader of the Prague Spring in 1968; chairman of the Czech Federal Assembly today.

AP Wide World Photos

Palach, a student who immolated himself in 1969 to protest the 1968 invasion. The demonstration provoked a violent police assault.

That same month, the arrest and imprisonment of Vaclav Havel, popular dramatist, political essayist, human-rights advocate and cofounder of the reform movement Charter 77, sparked another wave of protests. Havel was given a nine-month prison sentence, but was released in May.

During the first week of June 1989, East Europeans established a powerful emotional bond with the young Chinese martyrs of the student-led pro-democracy movement in Beijing's Tiananmen Square. In Czechoslovakia, this seemed to catalyze feelings about tyranny and about the developments in Poland, Hungary and East Germany.

By summer, unsanctioned political organizations were popping up around the country. A surprising number of people, including many inside the government, were signing petitions for democratic government.

On August 21, the anniversary of the Soviet-led invasion, Czech students began again to demonstrate.

By this time the government-controlled media were picking

up courage to risk oblique criticism of the regime. Even so, the magnitude and power of the 25,000-student demonstration of November 17 came as a shock to the government. Demonstrators were clubbed off the streets with mindless brutality.

The velvet revolution, as it is now called, returned two days later to Wenceslas Square in Prague, lit by hundreds of thousands of candles carried by a silent host.

That night two key groups opposing the Communist government formed an alliance: Havel's Civic Forum and the Public Against Violence in Slovakia. The newly merged opposition party platform stressed human and political rights, a legal democratic state, integration into Europe, national interests above those of the Warsaw Pact and its economic counterpart, the Council for Mutual Economic Assistance (CMEA, or Comecon),* a free-market economy, social justice, social security, industrial reforms to reduce energy and raw-material consumption, and freedom from ideological restrictions on speech, thought and action.

After several days of demonstrations, the Jakes government resigned. In quick sequence, starting December 19, the Communist-dominated parliament voted to shift to a free-market economy and a Western-type parliamentary system.

The dam was broken. Dubcek, who had led the Prague Spring movement in 1968, was named chairman of the national parliament on December 28. The next day Havel was elected interim president of Czechoslovakia, the first non-Communist president in over 40 years.

In January 1990, Havel proposed that the word socialist be dropped from the country's official name. One hundred and twenty new deputies to the Federal Assembly were sworn in; only nine of them were Communists. In June 1990, Havel was reelected president for a two-year term. The Communists won only 13.6 percent of the vote. Czechoslovakia was sailing west.

A major area of agreement among the new parties is environmental control. Forty years of Communist mismanagement have caused horrendous environmental damage. The Green party is second in strength to the Civic Forum and the Public Against Violence in Slovakia.

AP/Wide World Photos

President Bush and Czech President Havel talk to reporters against a Prague backdrop in November 1990.

Touchy Issue of Arms Sales

A troublesome issue is the Slovakian arms industry. Czechoslovakia for years was the second-largest arms exporter in the Warsaw Pact. Most of the weapons are made by Skoda in Slovakia. After his election, President Havel stated his intention to wind down weapon production and end arms exports. The decision jeopardized 70,000 jobs in economically depressed Slovakia, which was already hypersensitive to signs of domination by its more affluent Czech partner.

Vladimir Meciar, Slovak prime minister, announced in January 1991 that the republic would continue to sell arms without seeking Prague's approval. He said Slovakian weapons would not be sold "in areas of conflict" in conformity with the broad lines of Czechoslovak foreign policy. This translated into a ban on weapon sales to Iraq, Libya and terrorist groups, but allowed sales to Saudia Arabia and other Middle Eastern and North African countries. Under the original plan of the federal government, arms production in Slovakia was to be trimmed to 7

percent of its 1988 level by the end of 1991. Arms manufacture employs about 10 percent of the Slovak labor force, including its highest-paid workers and technicians.

The Czech government signed a joint declaration with President Gorbachev in Moscow, stating that relations would develop on the basis of equality and respect for each other's state sovereignty, and on June 25, 1991, the military occupation ended. The government has approved sweeping economic proposals to develop private enterprise with no limits on foreign investment; approved a tight budget with radical cuts in defense and government subsidies, including support for the Communist party; amended the press law to end state censorship and allow private citizens to speak, assemble, associate and publish freely; won most-favored-nation trading status with the United States; dropped tourist visa requirements for U.S. and most European citizens, and attracted record numbers of tourists from hard-currency countries; developed strong bonds of sympathy and support throughout the West, largely through visits by the eloquent President Havel; attracted considerable interest on the part of major West European firms for investment and joint operations (e.g., German manufacturers Volkswagen and Siemens AG, who are discussing with Skoda of Czechoslovakia a wide range of joint ventures, including construction of automobiles, power stations and locomotives).

Despite these accomplishments, the bloom is off the rose. Younger people, impatient with the slow pace of economic reform, are finding new role models among the dissidents of their own parties. Older people fear for their pensions and inflation. Concern about increased prices provokes panic buying and hoarding of some items. Economics and politics are intertwined. Economists believe Czechoslovakia has a great deal to work with and might achieve a stabilized market economy in five to ten years, but much depends on the political stability of the new democracy.

The fault line dividing Bohemia and Moravia from Slovakia is giving off strong foreshocks. President Havel, still a hero in the Czech area, is now denounced in Slovakian streets. In March

1991 he flew to Bratislava, capital of Slovakia, where an angry, flag-waving crowd shoved and jostled him and chanted "Judas! Judas! Down with Havel!" and "Czechs are greedy!" The protesters reportedly spat on his car and kicked it as it pulled away. The instigator of the Slovak separatist protests is believed to be Prime Minister Meciar and his followers.

Opposition Slovak leaders, led by Dubcek, have called for Prime Minister Meciar's ouster. They charge that Meciar is seeking Soviet support for Slovak sovereignty.

Havel, speaking on television, told Slovakians they will have to choose by referendum whether to secede or remain with the Czechs under common foreign, defense and fiscal policies. "There is no third way," he said.

BULGARIA

Bulgaria sided with Germany in both world wars in hopes of getting control of Macedonian and Thracian territory, and gaining an outlet to the Aegean Sea. As Soviet troops entered the country in September 1944, a Communist-dominated coalition seized power.

The revolutionary tide that started in Poland and swept down from the north had lost most of its intensity by the time it reached Bulgaria, but change was called for. On November 10, 1989, then head of state and Communist party leader Todor Zhivkov, anticipating a coup, abruptly resigned. The Bulgarian government prepared for democratization.

In January 1990, the National Assembly agreed to terminate the constitutionally guaranteed dominant role of the Bulgarian Communist party. This was followed by charges against former party chief Zhivkov of "incitement of ethnic hostility and hatred" (in connection with the Turkish minorities) and corruption. More importantly, the Bulgarian Communist party Politburo agreed to dissolve party organizations in the armed forces.

Bulgaria: A Brief History

The Bulgars, originally a Turkic people, migrated in the seventh century from the steppes north of the Caspian Sea. One branch moved up the Volga River and the other settled near the mouth of the Danube. They were gradually assimilated by the Slavs who were already settled in the Balkan Peninsula.

Bulgarian kingdoms continued to exist during the Middle Ages. For the next 500 years, the Ottoman Turks ruled Bulgaria. In 1878, with the help of Russia and Romania, the Bulgarians defeated the Turks, and they declared their independence the same year.

In February, Premier Andrei Lukanov appointed a cabinet, and the National Assembly approved the new all-Communist government.

In March, the National Assembly unanimously passed a law to permit ethnic Turks and Bulgarian Muslims to resume their Islamic names, which had been forcibly changed under the previous administration. The government and opposition groups held roundtable talks on social justice, property ownership and creating a multiparty system. Parliamentary elections were scheduled for midyear, with the participation of foreign observers.

The Communist party under its new name, Bulgarian Socialist party, won control of the new parliament in June 1990 in democratic elections. Despite its strong showing in the polls, the Socialist party faced growing opposition, and in November a wave of demonstrations forced Lukanov and his one-party cabinet to resign. A new coalition government was formed by the Socialists and the Union of Democratic Forces, a loose group of 19 political parties. The Union of Democratic Forces is split into a "center block," led by the head of the Social Democratic party, which favored more-gradual economic reform and passage of a new constitution before another round of elections, and a right-wing group, which favored faster-paced reforms and elections in June 1991. In addition to the Bulgarian Socialist party and the Union of Democratic Forces, there is a racist and chauvinist fringe element—a far-right-wing movement, supported by some Communist hard-liners—which opposes rights for minorities and appeals to anti-Semitism.

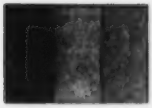
A new constitution was adopted last summer, but the former

Communists remain the dominant political force in the country, with control of more than half the government ministries, including defense, internal security and foreign affairs. They also dominate the armed forces.

Severe Impact of External Events

The radical reform program adopted by the coalition government was designed to move Bulgaria in the direction of a market economy. The first-stage measures, introduced in February 1991 to curb inflation, included ending subsidies and freeing prices, which promptly soared by 250 percent, cutting consumer spending and raising interest rates. The transition—a period of rising unemployment and a falling standard of living—has been all the more painful because of three foreign shocks. Bulgaria, unlike other East European countries, has received little aid from the West. The former Communist government in March 1990 unwisely suspended interest and principal payments on the country's $11 billion debt. Western banks promptly halted all fresh credits, Bulgaria's reserves quickly dried up, and imports and exports fell. The second shock was the collapse of Comecon and the switch to hard-currency trading. This hit Bulgaria particularly hard since more than 80 percent of its trade used to be with the Soviet Union and Eastern Europe. Its industrial production and exports both suffered. The final blow to the economy was the Persian Gulf War, which cut off the shipment of oil Iraq owed Bulgaria in lieu of payments for exports, as well as engineering and construction work.

Unlike most of their neighbors, Bulgarians reportedly have low social and economic expectations. As a result of centuries of Ottoman rule, they also have a tradition of submissiveness and conformity. That tradition, combined with political disenchantment with politicians and parliament, does not augur well for the fledgling democracy. Whether or not the social, economic and political transformation of Bulgaria succeeds "depends on the continued forebearance of the Bulgarian people, the courage of the government, and the financial aid of the West," according to the *Financial Times* (London) survey of May 17, 1991.



ROMANIA

The nation of Romania, combining Walachia, Moldavia and Bessarabia, was formed in the early nineteenth century and achieved independence from the Ottomans in 1878.

During World War I, Romania, under pressure from Russia, declared war on Austria-Hungary. The Romanian forces were decisively defeated in less than six months.

In the 1930s, Romania's king supported a dictatorship. Anti-Semitism ran high and the country eventually supported the Nazis in the war against the Soviet Union. After the war, a familiar pattern was repeated: the Soviet-supported Communist party took control in 1948. Schoolchildren were encouraged to learn Russian instead of French, which until then had been compulsory. (Romanians are the only Romance-language-speaking East Europeans.)

Although Romania established a measure of independence from the Soviet Union under Nicolae Ceausescu, who led his country from 1965 until 1989, his dreadful administration did not join the great East European reform movement. Reform pressures finally exploded in December 1989 with the bloody overthrow of Ceausescu and his wife, Elena—two of history's monsters.

When the Ceausescus were executed on December 25, 1989, and a new government under the leadership of the National Salvation Front was installed, the battle seemed to be over. On January 12, 1990, in response to widespread demonstrations, Romania outlawed the Communist party, the first Soviet-bloc country to do so. The new interim president, Ion Iliescu, chairman of the National Salvation Front, announced the start of the disbanding of the Romanian secret police and partial dismantling of collective farms. Politburo members and their close associates who had served under Ceausescu were taken into custody.

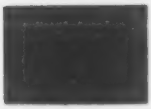
President Nicolae Ceausescu delivers a speech on the balcony of the Romanian Communist party building in Bucharest. A month later, on December 25, 1989, he and his wife Elena (at right) were executed.

AP Wide World Photos

In the free elections on May 20, 1990, Iliescu, one of Ceausescu's Communist elite, received 85 percent of the vote for president. During the campaign, antigovernment demonstrators were brutally suppressed and opposition leaders were physically attacked; they charged that the elections were unfair.

By spring 1991 growing dissatisfaction with the government, a thinly disguised extension of the old regime, caused Claudiu Iordache, the National Salvation Front's vice-president, to resign, charging that the government harbored political extremists. He told the Associated Press that some anti-Communist leaders were afraid to alienate former Communists because they might have secret-police files implicating them in activities of the Ceausescu government.

Adding to the sense of general incompetency in Romania is the scandal of the 100,000 abandoned and orphaned children institutionalized and subjected to mind-boggling cruelty and neglect. Romania's infant mortality rate—which has been estimated as high as 40 per 1,000—is the highest in Eastern Europe. Ceausescu's anticontraceptive and antiabortion policies had contributed to the number of unwanted children.



ALBANIA

Except for 35 years of independence (1443 to 1478), Albania was ruled by the Turks from the fifteenth century until 1912. After World War I, with the support of President Wilson, Albania reestablished its independence, only to lose it again in 1939 when it was invaded by Italy.

After World War II, Albania became a satellite of the Soviet Union under the hard-line Communist Enver Hoxha. During the next 40 years, Albania's leaders forced their country into political and economic isolation from most of the world, including the U.S.S.R. Following Hoxha's death in 1985, the Communist monopoly on power slowly began to crumble.

The last bastion of Stalinism,* but with ties to Maoist China, Albania was late in joining the 1989–90 East European reform movement. As recently as December 1989, Communist party chief Ramiz Alia had said such reforms were not needed in Albania. A month later, he said the reform movement would have no impact on his country. He acknowledged economic problems, but said central planning would remain, though reforms might be needed "in some areas."

On March 22, 1990, Communist leaders grudgingly announced major political and economic reforms, including contested elections for state managers of farms and industries and decentralization of the economic system.

Finally, on April 17, 1990, Alia acknowledged that establishing diplomatic relations with the European Community (EC),* the United States and the Soviet Union would serve Albania's economic and political interests. Almost a year later, in March 1991, the United States and Albania restored diplomatic ties. Europe's poorest state had finally ended its isolation.

Labor strikes were legalized and the 23-year ban on religion was ended in January 1991. (An estimated 70 percent of Albania's 3.3 million people are Muslim, 20 percent are Christian

Enver Hoxha, Albanian Communist party chief for 42 years, acknowledges cheers from crowd at May Day parade in 1983.

AP Wide World Photos

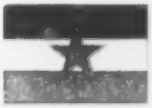
Orthodox, 10 percent Roman Catholic.) Also, the privatization of trade and services was legalized.

Albania held its first multiparty elections in decades in March 1991, and the Communists won handily with a two-thirds majority. But by early June the Communist government yielded to demands for greater democracy and stepped down. It turned over the reins to a nonpartisan caretaker coalition, which inherited a country in chaos after four decades of central planning, police repression and suppression of economic initiative. New free elections are tentatively set for 1992. Communism's last stand in Eastern Europe has fallen.

Through all of this, Albania has had running disputes with Yugoslavia about the treatment of the ethnic Albanian majority in the Serbian-controlled province of Kosovo; with Greece about the treatment of the Greek minority and political prisoners in Albania; and with Italy about the exodus of more than 80,000 Albanian "boat people" across the Adriatic to Brindisi. Now that Albania has freed itself from the Communists' grip, Kosovo is likely to become a more explosive issue for the Serbian republic in Yugoslavia. (See next section.)

Seats Won by Communists in Free Elections 1989–91, by percent		
Albanian parliament	April 7, 1991	67%
Bulgarian parliament	June 17, 1990	53%
Czechoslovak parliament	June 8–9, 1990	16%
East German parliament	March 1, 1990	16%
Hungarian parliament	March 28, 1990	9%
Polish senate	June 18, 1989	0%(a)
Romanian parliament	May 20, 1990	67%(b)

(a) Poland has yet to have a totally free election. The agreement of March 9, 1989, guaranteed the Communist party and its allies 65% of the seats in the lower house; all of the seats in the senate were contested, and no Communists were elected.
(b) Percentage of seats won by National Salvation Front, a coalition of former Communist officials, intellectuals, students, dissidents and senior military officers. The Communist party was outlawed on January 12, 1990.



YUGOSLAVIA

The Socialist Federal Republic of Yugoslavia is politically, ethnically and economically a scaled-down version of all Eastern Europe. The population includes Serbs, Croats, Bosnian Muslims, Slovenes, Albanians, Macedonians, Montenegrins, Hungarians, Gypsies, Turks, Slovaks, Romanians and Ruthenians/Ukrainians. The north is rich and the south is poor. Each nationality has spent most of the past thousand years as part of somone else's empire. Now, like many of the republics in the Soviet Union, most Yugoslavian republics are straining for a looser confederation or outright independence.

Present-day Yugoslavia (Land of the South Slavs) emerged as a new nation after World War I. Until 1929, it was known as the Kingdom of the Serbs, Croats and Slovenes.

The brilliant guerrilla defense of Yugoslavia against the Nazis in World War II, led by the Communist-inspired partisans under Tito, obviated the need and reason for more than a token

presence of Soviet troops after liberation. Since there was no Soviet occupation army, Tito had room to maneuver after the war.

During the cold war, Yugoslavia played a unique role. Tito worked closely with Stalin but insisted on maintaining Yugoslavia's independence. In 1948, Stalin ordered Yugoslavia's expulsion from the Moscow-directed Cominform, and imposed an economic blockade. Concurrently, Yugoslavia modified its Marxism to exploit a relatively friendly relationship with the West. In

Yugoslavia: A Brief History

In the ninth century, the Serbs and Croats were conquered by the Germans and—with Slovenia, Bosnia, Herzegovina and Montenegro (all southern Slavs)—became part of the Germanic empire. The empire was subsequently divided between western (Holy Roman) and eastern (Byzantine) forms of Christianity and, in the fifteenth century, after the Ottoman Turk conquest, Islam was added to the religious mix. There was a constant ebb and flow of armies of the Germans, Hungarians, Greeks and Turks—and, of course, the Slavs, whose land was in perpetual dispute.

One historic event over the past centuries has had a special impact on the Yugoslavia of today. In 1331, Stefan Dushan, the greatest of Serbian rulers, subjugated all of Macedonia, Albania, Thessaly and Epirus. He assumed the title "Tsar of the Serbs, Greeks, Albanians and Bulgarians" and announced his goal of consolidating the Balkans. After his death in 1355, his successors sought to fulfill the goal until the battle of Kosovo in 1389, when a coalition of Balkan armies attempted to stop the advance of the Turks. The Turks won the great battle, and Serbia became a vassal state.

The battle of Kosovo has assumed mythical proportions in Serbian lore. To the Serbs, Kosovo is virtually a holy place. Today it is an autonomous province belonging to Serbia, but the population is about 90 percent Albanian Muslims who demand equal status for Kosovo as a republic. Though the Serbs are now a minority in Kosovo, they regard it as the heart of historic Serbia and refuse to release it, using force to put down Albanian demonstrations. Serbian authoritarianism in Kosovo adds to the general resentment and distrust of Serbs in the other republics.

Robert Mansfield

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return, Tito received U.S. military and economic assistance. Beginning in the mid-1950s, Yugoslavia was a leader in the worldwide nonaligned movement of countries that tried to avoid alliance with either the Soviet or American bloc.

Yugoslavia in many ways did better economically than most of the Warsaw Pact satellite states, but after 30 years of experimenting on the fringe of the marketplace there are still massive unsolved problems. The rest of Eastern Europe can learn much from the Yugoslav experience, including the fact that halfway measures may simply prolong the agony.

Since Tito's death in 1980, the country has been run by a unique collective state presidency made up of representatives elected by the six predominantly Slavic republics (Croatia, Slovenia, Serbia, Bosnia-Herzegovina, Montenegro and Macedonia) and two autonomous Serbian provinces (Kosovo and Vojvodina). Each year on May 15 the federal presidency and vice presidency rotate to different republics. Serbia held the presidency from May 15, 1990; Croatia holds it currently.

The long-standing post-Tito disputes in Yugoslavia between the Serbia-dominated federal government in Belgrade and four of the republics, Croatia, Slovenia, Bosnia-Herzegovina and Montenegro, heated up in 1990 and 1991. Communists have been voted out of power in all the republics except Serbia, the largest and most powerful of the republics, and Montenegro.

Two threads could hold these republics together. One is mutual economic advantage. It is profitable for the industrial republics in the north to farm out jobs to the poor republics in the south, and it is profitable for the poor communities in the south to have investments and contracts from the north.

The other common bond, for better or worse, is the 180,000-man national army, in which most officers are hard-line Communist Serbs.

Tragically, the country may be strangled by the same two bonds. Gross economic mismanagement in Serbia may force bankruptcy on thousands of businesses and the worst national depression in 40 years. An even greater danger is that the army leaders—a privileged class protecting their turf—may decide to

impose martial law, with or without orders from government leaders.

Capitalism, the traditional devil used by Communists to stay in power, is no longer useful, so Serbian Communists have canonized a new devil—ethnic separatism.

In 1990 Slovenian and Croatian parliaments began serious talk of secession from the union if Yugoslavia was not allowed to become a looser confederation, with reduced authority in the central government. As Croatia and Slovenia moved toward secession, Serbian towns and villages in Croatia threatened to secede from Croatia. Of some 5 million people in Croatia, approximately 600,000 are Serbs. To support them, Serbia (population 9.5 million) threatened to redraw its own borders to include all ethnic Serbs now governed by other republics if the current federation was changed.

In February 1991, Croatia's defense minister, Martin Spegelj, and other Croats were charged by a military prosecutor with planning an armed rebellion. The Croats reportedly had bought 10,000 rifles and 1.8 million rounds of ammunition from Hungary.

On March 2, Yugoslav President Borisav Jovic sent federal troops to end hostilities between Croatian police and Serb villagers who had seized a local police station.

Suddenly, a week later, there was a new development in Belgrade. The national capital looked like Prague in November 1989 as anti-Communist Serbs swarmed to the square. Communist police under Serbian officers brutally assaulted them, killing two and injuring more than eighty. Vuk Draskovic, a popular Serb anti-Communist leader, was jailed as 100,000 demonstrators fought with Communist riot police. Protesters were mostly young, including large numbers of students, actors, writers and academicians.

Serbian President Slobodan ("Slobo") Milosevic tried to blame the usual suspects—Albanians, Croats and Slovenes—for "trying to turn Serbia into a vassal state." The speech misfired. Dragojub Micunovic, leader of the Serbian Democratic party, ridiculed Milosevic's speech, saying: "This disgusting scenario of external

enemies . . . is something that every totalitarian regime has used through history. I thought this was a thing of the past."

Serb protesters forced removal of the Communist interior minister and demanded new elections and removal of the entire hard-line Communist Serbian government, led by Milosevic. The Communists are accused of stealing the election in 1988 with fraudulent use of national funds, leaving the country close to bankruptcy, and dictatorial control of the information media. Some now say they were duped by the government-controlled television into believing President Milosevic was "a kind of Serbian Gorbachev."

Serb Against non-Serb

Draskovic, in an impassioned speech after his release from jail, said, "Serbia will never be the same after March 9. Never again must a Serb raise his hand on another Serb in violence." That statement left dangling the question of whether Serbs would raise their hands against non-Serbs in Yugoslavia. From the Croatian view, Draskovic's reasoning left something to be desired. He insisted an anti-Communist regime would have greater credibility in defending the rights of the many Serbs living in other republics.

Through March 1991, the military chief of staff, General Blagoje Adzic, also a Serb, pushed for countrywide martial law, using the Belgrade riots as an excuse. By the end of the month, after a great deal of posturing on all sides, the Serbian government, the army, and the presidents of the other republics and autonomous provinces backpedaled enough to sit down again together and talk.

But in May there was renewed violence. On May 2, 12 Croatian policemen were ambushed and killed in a Serbian town in Croatia. As fears of an armed struggle escalated, Serbia moved to maintain its hold over the leadership and direction of the army by blocking Croatian Stipe Mesic from assuming the presidency of Yugoslavia. This unprecedented maneuver touched off a constitutional crisis that further eroded the tenuous bonds that have kept the nation intact. Serbia's challenge was interpreted by

many in Croatia as a frontal attack on Croatia's autonomy and galvanized those who were calling for secession.

Accelerating the trend toward the breakup of Yugoslavia were the referenda that were held on the federal status of various republics.

On June 25, the Slovenian and Croatian parliaments overwhelmingly passed declarations of independence after the federal government rejected their year-long demand for a looser confederation of independent states within Yugoslavia. The Yugoslavian authorities responded by sending troops into Slovenia, attacking border posts, roadblocks and the republic's main airport. More than 100 people were killed or wounded in several days of violent clashes between the federal army and militias loyal to Slovenia. In Croatia, the national government was more restrained because the republic had not moved as far toward de facto independence. The republic of Serbia announced that it would accept a confederation only if all of Yugoslavia's ethnic Serbs were brought within the borders of a single state.

On July 7, the six Yugoslavian republics signed an agreement, mediated by three EC members, calling for an immediate cease-fire, a suspension of independence proclamations for three months, and a return of all troops to their bases. Although it stopped the violence in Slovenia, the agreement did little to ease ethnic tensions in neighboring Croatia. The Serbs, who feared living as a minority in Croatia and had been waging a guerrilla war against the Croatian police for the past year, stepped up their attacks after Croatia's declaration of independence. Dozens of people were killed in the fighting. In an attempt to avert a civil war, Yugoslavia's Prime Minister Ante Markovic announced on July 1 that the Croatian Mesic had been named president of Yugoslavia. Subsequent efforts to end the violence proved unsuccessful. On July 23, Croatian leaders stated that they refused to sign a peace accord between republican and federal leaders calling for the demobilization of many of the republic's military and police units. The failure of the agreement spawned fears of further outbreaks of large-scale fighting, which has already resulted in 40,000–50,000 Serbs having fled their homes

Marshal Tito, Yugoslavia's prime minister from 1945 until 1953, the year he assumed the presidency. He led the country until his death in 1980.

AP/Wide World Photos

in Croatia for safety in Serbia. At the end of August, crowds of Serbian mothers demonstrated in Belgrade demanding that their sons not be sent to war.

As the crisis worsened, disorder was expected to spread to the neighboring republics. Bosnia is already suffering from this spillover effect, and its impact on this republic's Muslim-dominated population may add a highly charged religious element to an already explosive situation.

The U.S. position regarding the crisis in Yugoslavia has been not to support Slovenian and Croatian unilateral independence declarations, because they could lead to civil war and possibly trigger instability throughout the region. However, the United States has criticized both the federal army and the republics' militaries for contributing to the recent violence. In July it sat on the sidelines while the EC's representative tried to broker a peace agreement.

By mid-August the country was approaching economic calamity. National Public Radio correspondent Sylvia Poggioli reported August 15 that because of the sporadic military violence in remote areas, the hard-currency tourist trade has dried up,

with estimated losses of more than $3 billion. Banks are running out of cash. Checks drawn on Belgrade banks are no longer honored in Croatia and Slovenia, and vice versa.

Yugoslav airlines and international passenger and freight trains have been disrupted. Croatia and Slovenia, having declared their independence, are withholding customs revenues from the national treasury. The dinar, until recently one of the most stable currencies in Eastern Europe, is fluctuating while the old Marxists, still in control of the national machinery, simply print more paper money.

Josip Skoberne, secretary of Slovenia's Chamber of Commerce, told *The New York Times* that if the "utter nonsense" continues, "Yugoslavia will disintegrate finally."

In the East Wing: Six Soviet Republics

After World War II, Poland, Czechoslovakia, Hungary, Romania, Bulgaria and, after its creation in 1949, East Germany were *sovereign* states in a strict legal sense, bound to the Soviets only by bilateral military agreements, by a mutual defense treaty (Warsaw Pact) and by trade and economic ties, through Comecon. As a practical matter, they were satellites of the Soviet Union.

The status of the republics that make up the U.S.S.R. is different. They are nation states—or in the process of becoming so—that are bound under the national constitution to the central government, based in the capital, Moscow.

Except for the Russian Republic, the Soviet European republics have all been traded back and forth for a thousand years by Germans, Poles, Lithuanians, Russians, Swedes, Mongols or Turks.

Six of the Soviet republics—Latvia, Lithuania, Estonia, Belorussia, Moldavia and the Ukraine—were proclaimed independent by the signatories of the treaties ending World War I, including Soviet Russia.

In the Brest-Litovsk treaty of March 1918, Soviet Russia recognized Ukrainian independence and abandoned claims to Poland, the Baltic states and part of Belorussia. In April 1918,

REPUBLICS OF THE U.S.S.R.

Republic	Area (sq. mi.)	Population (1989)
Russia	6,592,800	147,386,000
Ukraine	233,100	51,704,000
Uzbekistan	172,800	19,906,000
Kazakhstan	1,049,100	16,538,000
Belorussia	80,100	10,200,000
Azerbaijan	33,400	7,029,000
Georgia	27,000	5,449,000
Tadzhikistan	55,300	5,112,000
Moldavia	13,000	4,341,000
Kirgizia	76,600	4,291,000
*Lithuania	25,200	3,690,000
Armenia	11,500	3,283,000
Turkmenistan	188,500	3,534,000
*Latvia	25,600	2,681,000
*Estonia	17,400	1,573,000

Figures from Political Handbook of the World: 1990.

*On September 6, 1991, the three Baltic republics regained their independence.

German forces landed in Finland to support its independence against the Bolsheviks, and the Moldavian Republic was united with Romania in the Treaty of Bucharest.

By September 1939, all the post-World War I arrangements had come unglued.

When Germany invaded Poland from the west, the Soviet army advanced two weeks later from the east. Poland was again divided, with the eastern half, including the Polish Ukraine, going to the U.S.S.R. The Soviet Union annexed the isolated Baltic republics by a secret agreement with Germany. After the defeat of Germany, the Soviet Union retained the Baltics as well as Moldavia and the Polish Ukraine. The Carpathian Ukraine (Ruthenia) was taken away from Hungary and turned over to the Soviet Union.

Since 1989, all of the European republics, including the Russian Republic, have demanded independence or greater autonomy under a looser confederation of Soviet republics:

- Lithuania declared independence March 11, 1990.
- Estonia entered a "transitional period" to independence March 30, 1990.
- Latvia endorsed a period of transition to independence May 4, 1990.
- Moldavia declared sovereignty June 23, 1990.
- The Ukraine declared sovereignty July 16, 1990.
- Belorussia declared sovereignty July 27, 1990.

As the early Americans learned, declaring independence may be only the beginning of a long struggle.

Of all the European Soviet republics seeking an escape hatch, it was not surprising that the three Baltic states were the first to separate from the U.S.S.R. Soviet acquisition of the Baltic states was illegal and never accepted by the United States. They were considered an important asset to the Soviet Union, but not a *vital* asset.

The loss of the Baltic states may be a hard blow, but the loss of the Ukraine would be devastating. It is worth taking a closer look at this oft-carved land.

The Pivotal Ukraine

Geopoliticians of two world wars considered the Ukraine to be at the heartland of the "world island"—Afro-Eurasia. Some of the greatest armies of Europe were destroyed in campaigns to conquer and hold the Ukraine. In 1709, near Kiev, Charles XII's army was defeated and Sweden's power was broken by Peter the Great in the battle of Pultowa.

As described by Byron:

> *Dread Pultowa's day,*
> *When fortune left the royal Swede,*
> *Around a slaughtered army lay,*
> *No more to combat and to bleed.*
> *The power and fortune of the war*
> *Had passed to the triumphant Czar.*

On August 24, soldiers remove a bust of Lenin from the Communist party room of a Moscow military school.

Reuters-Bettmann

Like the Swedes, Germans in two world wars have wasted armies in vain attempts to own the Ukraine, but in the end the winners were the Russians—not the Ukrainians. Still, after a thousand years, the Ukrainians have not lost the desire for independence.

During the Stalin era, Ukrainian separatism was brutally suppressed, the republic's grain was confiscated for sale on the world market, and millions died of famine during the agricultural collectivization of the early 1930s.

When the Germans invaded the Soviet Union during World War II, many Ukrainians were actually happy to see them. They were so fed up with Stalinist oppression that they saw the Nazis as "liberators." But the Nazis, too, mindlessly brutalized and butchered the Ukrainians. The Polish Ukraine actually continued to resist Soviet rule until the 1950s.

The Ukraine is the breadbasket of the Soviet Union and the most self-sufficient of all the Soviet republics. It has a moderate climate, and most of the Ukraine is covered with fertile soil. Forty

percent of Soviet steel is produced in the Ukraine; it is also a major producer of minerals, machinery, iron, grain and sugar.

Although the population of almost 52 million is 75 percent Ukrainian Slavs and only 20 percent Russian, Moscow surely considers the Ukraine vital to Soviet national security. Nevertheless, the Ukrainian parliament announced independence after the August 19 coup. It remains to be seen whether this will be followed by a move back toward a looser confederation.

With issues like these unresolved, bloody civil war is still a possibility throughout the U.S.S.R. If democracy fails, the victor will not be *Marxism*, but its sibling—*fascism*.

4

The Economics of Chaos

Communist leaders can be tossed out overnight, but the damage caused by Communist economics clearly will be with East Europeans for decades.

For some 45 years Marxist bureaucrats have been responsible for:

- urban development and transportation plans;
- factory design and construction;
- appointments and promotions of key personnel;
- production quotas;
- design and art, including the creative arts;
- distribution plans for the general public, as well as preferential plans for elites (e.g., party members, military, favored scientists and literati, "heroes" of labor, secret police, foreign VIPs and hard-currency tourists);
- pricing policies (not based on supply and demand, often used to mask scarcity);
- job allocation (including rampant "featherbedding" to prevent unemployment).

Communist bureaucrats also centrally controlled trade relations among the Soviet-bloc countries through Comecon.

Instead of buying and selling individual commodities, as is done in market economies, intra-East European trade contracts often were carried out on a quasi-barter basis—for example, a "basket" of Soviet goods would be traded for a "basket" of Polish goods. World-market prices of individual commodities did not matter so long as the relative gross values of the baskets were fair. (This was a sophisticated version of East European trading experience after World War I, when runaway inflation destroyed the value of currency and trade was often done on the basis of simple barter—goods for goods.)

Low Productivity, Poor Quality

Central planning did great harm, especially in quality control and productivity. Often quotas were assigned that could only be achieved by a plant manager if quality controls were abandoned. For example, a glass-factory manager, told that his window-glass quota in square meters had been raised 10 percent despite a materials shortage, might simply roll out the glass 10 percent thinner, thus increasing his metric total by 10 percent. At the same time, he would know perfectly well he was increasing accidental breakage in transport and installation from 15 to 30 percent, but his quota was automatically fulfilled when the glass left the factory.

To maintain full employment, factories often carried a surplus of workers on the payroll. Instead of increasing production this tended to reduce productivity and quality control. Overemployment brought lax discipline, sloppy work, boredom, alcoholism, absenteeism and moonlighting. Many workers, having too little to do, would punch the time clock in one factory and leave to punch the clock on another job, or run a black-market business on the side.

To make matters worse, the cream of products and personnel was skimmed by the military, which had priority for industrial assets, science and technology, research and development, education, skilled labor, key professional personnel and budget.

In short, the Marxist economy was designed and operated to fail. Now, all the East European governments are trying sud-

denly, simultaneously, to flip the system over and create an open market stimulated by profit incentives. The results, of course, are various degrees of chaos throughout the region.

Romanians: The Poorest of the Poor

The worst living standard in Eastern Europe, with the exception of Albania, is that of Romania, and it is not expected to improve soon. For example, only one person in ninety owns an automobile, and one in ten has a telephone. On April Fools' Day, 1991, the government cut the official value of local currency almost in half and ended food-price subsidies in order to qualify for a 12-month, three-quarter billion dollar financial aid package from the International Monetary Fund (IMF).*

The money is desperately needed. Romania's biggest industrial plant, the August 23 Conglomerate, produces locomotives and engines. Its production techniques are regarded as being more than 15 years behind its nearest European competitor, Yugoslavia's Rade Koncar, whose 1989 exports ran over $100 million.

Romanians display little understanding of the Western market economy. Ceausescu ordered his central planners to produce, in 1990, 12,000 expensive, heavy-duty electric engines. In all Europe, only 10,000 are bought each year. Romania actually produced only 1,200 and sold only about 600. Under such leadership, the Communists pauperized the country.

Prime Minister Petre Roman has called for the restructuring of banking, pricing, labor, state subsidies and corporate development, but Western economists discount the talk of Romanian leaders (many of whom still are Ceausescu Communists) of building a free market. At this stage there is little evidence that they have the necessary talent. Holdovers from the old nomenklatura compete with inexperienced new managers, and productivity dropped an estimated 20 percent in the past year.

The Hungarian Experience

The way out of the swamp is mapped by Imre Tarafas, first deputy president of the National Bank of Hungary. Writing for

the March 1991 edition of the IMF's *Finance and Development*, Tarafas stresses the need to avoid a piecemeal approach to reform. Early Hungarian economic reform efforts, he says, were partial and halfhearted because they were not accompanied by political and social change.

"For example," Tarafas says, "the 1968 reform concentrated on building up a market for goods and services but not for capital, because capital ownership and income from speculation were seen as concepts opposed to the nature of a socialist social and economic order."

The Hungarian experiments were shackled by the central command system and the obligations to Comecon. Tarafas says the question of ownership—the central element of the market economy—was missing. The huge captive market of Comecon "was not as demanding in terms of quality and speed" as the Western markets.

Tarafas believes the most important reason behind the failures was the fact that "economic reforms were not linked to political ones." Economic reforms were viewed as an admission of weakness, and authorities tried to keep reforms to a minimum.

He believes Hungarian reforms will succeed this time because the most important political changes have already taken place. Democratic reforms are occurring in all the countries formerly in Comecon; Hungary is not isolated. Furthermore, because of 25 years of experimentation, Hungary now has managers with the skills to operate in a market economy. Partnerships and joint ventures are being formed among Hungarian entrepreneurs as well as with foreign businessmen.

A Shortage of Capital

Like bankrupt companies, near-bankrupt countries seek fresh investment capital by selling off state-owned assets for fair market value to private entrepreneurs who then reorganize them and run them on a businesslike basis—for profit. It is not easy.

On February 27, 1991, the Czech parliament voted, 157 to 24, to turn over all industry to private investors, ending 40 years of state control. By the end of 1991, some 4,500 enterprises, valued

at $130 billion, were expected to be up for sale to domestic and foreign buyers. Companies illegally seized by the Communist government are to be returned to legal owners. Millions of people will be issued investment bonds to encourage domestic-share ownership.

By the spring of 1991 most East European countries appeared to have sold off only about 20 percent of state-owned business and industry, according to reports of various East European ministries.

The general problem is that there are hundreds of billions of dollars' worth of assets to be sold and only tens of billions of dollars of East European private capital available to buy them through the sale of shares. Simply to assemble a portfolio of assets, financial reports, and sales and production prospectuses for presentation to potential investors is an enormously complex and tricky business for neophyte capitalists.

Compounding the problem, in most of the countries there is a shortage of competent management and labor skills to compete with the managerial and labor skills in the West.

Similarly, some of the best factories in Eastern Europe use machines that in the West are considered 20 to 40 years out-of-date.

There are three inevitable effects of all this:

- first, assets cannot be sold except at an enormous discount on the assessed valuation;
- second, there is bound to be a period of increased unemployment as newly privatized companies try to become functional in the new age, partly by squeezing out surplus or unproductive employees;
- third, with a lack of experienced, modern, local management staff and high-tech labor, there is a high risk of failure in the competitive marketplace, leading to financial loss and even greater unemployment.

An obvious solution to the shortage of domestic capital is to sell the state-owned assets to foreign buyers. But that produces more problems, especially with large enterprises. First, the fair market value of, say, an East European locomotive plant to private

investors in the open marketplace may be only a fraction of the value placed on the plant when it was producing locomotives in a centrally controlled market with guaranteed sales at a state-fixed price.

In addition to making the initial purchase, capital must be available for retooling, upgrading the training of skilled workers, scaling down a bloated work force and paying required severance pay and social security. Competent key management people may need to be imported. A stable government and labor force must be virtually guaranteed. Because investment capital is at high risk, vast concessions are sought by potential foreign investors. Nobody is sure what is fair, much less safe, for investors.

Of course, drawing investors into small businesses and shops is less difficult than persuading them to buy into large industries. Poland had already sold half of its small business inventory by April 1991. Czechoslovakia is auctioning off small businesses and stores, and expects to sell more than 100,000 of them in 1991.

Yugoslavia: Progress and Problems

In the sale of larger businesses, the Yugoslav republic of Slovenia has broken out of the corral. By junking the typical bureaucratic delays and regulations imposed on foreigners by Poland, Czechoslovakia and Hungary, according to *Washington Post* correspondent Blaine Harden, Slovenia is selling nearly all of its 1,200 state-owned businesses "under a relatively unregulated and highly decentralized system of open bidding." Slovenia and Croatia, Yugoslavia's most northern and most affluent republics, have benefited from long-standing economic ties with Italy and Austria.

In the summer of 1990, during a two-week stay at the University of Zagreb, this writer asked many students what they intended to do after graduation. By far the most frequent answer was, "Try to find a job in Italy." According to Croatian economist Nenad Starc, prospects for college graduates are not good. The Yugoslav standard of living rose steadily through the 1960s and 1970s, leveled off in the 1980s, and is falling in the 1990s.

The country was jolted early in 1991 with word that Serbia may be approaching bankruptcy. It is charged that Communist leaders illegally shifted government funds during the election campaign to cover government salaries and annuities as well as Communist campaign expenses. Only since the election have the facts begun to emerge.

Serious as the economic problems are, it is important to believe they are not insoluble. On the positive side, Yugoslavia has done a creditable job of reducing inflation and has pegged the dinar to the deutsche mark, giving it the first convertible currency among the former Communist-bloc members.

The Hidden Economy

Throughout the entire region there is a hidden economy created by black-market and moonlighting operations that is believed to add as much as 50 percent to the gross national products (GNPs).

"Think of what we are saying here," a Hungarian economist has been quoted as exclaiming. "What is a black marketeer but a capitalist. For years, a third of our Marxist GNP has been produced by capitalists!"

That is worth pondering. Over the years, throughout the Communist classless society a new class structure has emerged: the relatively inert but privileged bureaucracy, the relatively inert and deprived working class who do only what the bureaucrats deem necessary, and the bourgeois hustlers—yesterday's criminals who may be tomorrow's heroes. It may be that Eastern Europe has more entrepreneurial experience than anyone yet realizes.

Prospects Not All Bleak

East European economies are in chaos, but how serious is it? There was far greater chaos in Europe after World War II. It took a decade to stabilize the Continent, and in another few years Western Europe was flourishing.

In four years, 1948 to 1952, the United States provided over $13 billion of seed money, plus massive technical assistance for

the European Recovery Program* (Marshall Plan*). An equivalent amount in 1991 dollars would be about $280 billion. It is interesting to note that the funding for the new European Bank for Reconstruction and Development (EBRD) is $12.2 billion, which is expected to stimulate some $100 billion in investment capital for Eastern Europe.

To get a rough idea of the scope of the problem in Eastern Europe, suppose the Organization for Economic Cooperation and Development (OECD)* undertook the reconstruction of the former Marxist countries (Albania, Bulgaria, Czechoslovakia, Hungary, Romania, Poland and Yugoslavia) on a plan similar in scope to the Marshall Plan. Spread over 10 years, a coordinated $200 billion program would cost West European and North American taxpayers an average of $10 to $25 per year, depending on what kind of offset agreements could be made to ease the burden of the donor countries.

Although $13 billion is cited as the "cost" of the Marshall Plan, the net cost to Americans was far below that because of a variety of offset factors that strengthened the U.S. economy and improved the cash flow of the country. It was never the "operation rat hole" that its critics claimed.

According to Hungarian economist Andras Inotai, deputy director of the Institute for World Economics in Budapest, there is far more challenge than threat in the future, despite the native pessimism of many East Europeans.

Conflicting Figures

The pessimism feeds on misleading official data. For example, World Bank data on per capita GNPs sometimes suggest a level of misery that simply does not exist. The current World Bank estimate for Hungary's per capita GNP is $2,600 a year, suggesting a truly impoverished society. However, the Central Intelligence Agency (CIA) estimate is $6,000. In some cases, the World Bank applies exchange-rate data which lowball the income figures in order to qualify a country for favorable banking credits.

One of the most important reasons for the startling difference between CIA and World Bank figures is that the CIA and most

independent economists translate local wages into local purchasing power, asking not how many U.S. dollars can they buy, but how much can the wages buy in local goods and services? For example:

Suppose a ride on a state-owned subway costs five cents and rent for a state-owned apartment costs only $50 a month for an East European family. Compare that with an American family paying $1.25 for the subway (assuming at least one worker in each family uses the subway daily) and $550 a month for an equivalent apartment. Comparing those two items alone, the East European family could earn about $600 a month less than the American family and still live about as well. (An obvious problem with this particular model is that in Marxist countries apartments are notoriously in short supply.)

To add another layer of realism, consider a hypothetical family of two parents with children. The mother is a full-time school teacher ($6,000); the father is a full-time mid-level office worker ($7,000) with a second job elsewhere ($4,000)—a fairly common pattern. The family earning $17,000 has the purchasing power of an American family earning about $25,000 a year. These models would roughly apply in Czechoslovakia, Hungary and northern Yugoslavia. In Poland, however, the purchasing power would be about 25 percent less, and in the Soviet Union it would be about 50 percent less. GNP figures for the Soviet Union show even more clearly how badly skewed official data can be. The Soviet Union per capita GNP for 1989 is estimated even by the CIA at $9,211, compared with Hungary's $6,108 and Czechoslovakia's $7,878. Yet, according to Hungarian and U.S. economists, the Soviet living standard is about half as high as the living standards of Czech and Hungarian families, because a much larger part of Soviet GNP goes into defense and other costly programs that contribute nothing to the families' well-being.

A Long Convalescence

A Hungarian diplomat, asked about plans to repair the crumbling facades of many of Budapest's great fin de siècle buildings, shook his head:

"We have no plans. There simply is no money for such work." Then he added, "However, to repair the old buildings would be relatively easy. What is really difficult is to get rid of our modern housing. Communism is not merely an ideology; it is ugly, stained cement walls all around us. It will be generations before the great cities recover from such madness."

5

Role of the United States

The initial desultory withdrawal of the Soviet army from Eastern Europe, combined with the August 19 coup, scrambles all questions about America's changing role in Europe, which for over 40 years has been rooted in our military leadership of NATO.

The developing scenario is fraught with dangers and ironies. As the Soviets disband the Warsaw Pact and head east, the Hungarians and Czechs express the hope that one day they may become part of NATO. Simultaneously, the question is raised in America whether the United States should also pull its forces out of Europe.

NATO is unlikely, in the near future, to welcome Hungary or Czechoslovakia into the fold, or to kiss the Yanks goodbye. But over the span of a decade, who knows? There is a lot to think about. Here, for example, are questions raised by Stanley R. Sloan, Library of Congress specialist on international security:

- Would a reduced U.S. military presence mean a reduction of U.S. political and economic influence? Or might U.S. nonmilitary influence increase as military requirements diminish?
- Would Congress support a U.S. military force in Europe if U.S. nuclear forces are removed?

• Would the American people accept a role in Europe for American forces if the United States no longer has a dominant voice in European decisionmaking?

• If NATO itself is phased out, would the United States be willing to station troops in Europe under bilateral or multilateral agreements?

For the near term, there are various expert recommendations that U.S. troops should be reduced from around 300,000 to 150,000, or 100,000, or even 75,000 by the mid-1990s.

Whatever the perceived military needs, NATO is a forum in which Europeans and Americans have learned to work well together for many years. That, in itself, is a major asset worth conserving.

Sloan suggests that the United States pursue a "parallel paths" approach which, along one path, would seek to "revise NATO's policies, doctrines and forces to take into account the new political and military situation in Europe. This path would hedge against the resurrection of a Soviet threat to Europe and sustain the very positive habits of transatlantic political and security cooperation. . . ."

"Along the second path," Sloan says, "the policy could support construction of the foundations for a cooperative European security system, presumably within the overall framework of the Conference on Security and Cooperation in Europe (CSCE)."*

Sloan adds, "If the United States pursues an approach that resonates with the European countries and attracts domestic public and congressional support, the United States could play a major role in the construction of the European security system of the future."

That is good security rhetoric from the mountaintop, but meanwhile East Europeans are asking, "What have you done for us lately?" The answer is spotty. The Bush Administration has actively pursued the continuation of NATO, but has been more reticent about developing a European-wide security system that might provide a safety net for the East Europeans. In the Yugoslav crisis of mid-1991, the United States stayed on the sidelines while the EC mediators played the peacemaker.

The ultimate goal of most East Europeans is, of course, full integration with the West, but they have entered a long transitional period during which the different countries will need substantial but varying amounts of development assistance. The United States had, as of mid-1991, approved the following aid:

For Poland

Since World War II, the United States and Poland have had a special relationship. Despite Poland's enforced membership in the Warsaw Pact, the United States provided nonmilitary assistance to the Polish people, partly because of the large number of Polish-American voters in the United States, but mainly to encourage dissent among a receptive population within the Soviet empire.

That special relationship persists. Poland is receiving substantially more help from the United States than any other East European country, but it also has by far the largest population—38 million.

Furthermore, Poland is way ahead of any other former Communist country in ending subsidies and allowing prices to find their own level, with all the pain that must bring in terms of unemployment and disruptions in production and supply.

If Poland succeeds, it could be the first of the emerging market countries to claim full membership in the clubs of the West and provide a model for the rest of the region.

The first point of attack for the United States was Poland's hard-currency foreign debt—$47 billion, of which $33 billion was owed to foreign governments.

The United States, which is owed $3.8 billion, sought agreement from members of the consortium of Western creditor governments on an 80 percent reduction of principal. However, France and Germany, which are owed much larger sums, rejected the 80 percent figure. The agreed reduction is a 50 percent minimum for each government.

However, on March 20, 1991, the United States unilaterally stepped up its reduction to 70 percent—$2.66 billion. All of the

governments agreed to urge commercial lenders, who hold notes from Poland totaling some $12 billion, to follow the 50 percent guideline. Thus Poland has had $23 billion trimmed from its foreign debt. Most importantly, Poland's annual debt-service payments have been cut in half.

Walesa stated early in 1990 that Poland needed an infusion of $10 billion in investment money from the United States. As of mid-1991, America had promised or delivered $10 million for private-enterprise support funds; $3 million for medical care; a $200 million stabilization grant; $600 million from the Foreign Operations Appropriation Act of November 1990, including $200 million in food commodities.

For Czechoslovakia

U.S.-Czechoslovakian relations went sour when the Warsaw Pact forces invaded in 1968 and deposed Dubcek the following year. They changed in 1989 when Havel's Civic Forum pushed the Communists from power. Nondiscriminatory trading rights were restored in early 1990, and other doors were opened to the world of international trade and finance. Czechoslovakia became eligible for Export-Import Bank* and Commodity Credit Corporation* guarantees, membership in the World Bank and IMF, plus technical assistance and Peace Corps and cultural-exchange programs.

For Hungary

Hungarian-American relations have been improving for 10 years.

Eastern Europe's first Western-style management school was opened jointly by the United States and Hungary in 1988. Hungarian business and professional teams are regularly brought to U.S. cities to learn Western business methods from their professional peers in America. American specialists have held seminars in Hungary on subjects ranging from manure technology to the California system of proposition voting.

The United States has offered $25 million for a private-

enterprise fund, plus $5 million to establish a regional environmental center in Budapest. A total of $125 million was authorized for Hungary in fiscal years 1990–92.

For Romania

After the 1989 revolution, the United States pledged food and medical aid, including $500,000 in emergency aid through the Red Cross. This was followed by a grant of $80 million in food aid. Further assistance depends on the new Romanian government acting on its pledge to restore full democracy and human rights.

For Bulgaria

The government forced the exodus of 300,000 Turks in 1989, causing serious problems for the Turkish government. The new Bulgarian government has repealed some of the discriminatory laws, over the protest of Bulgarian citizens, leading to better U.S. relations, but most-favored-nation trade status, revoked in 1951, still has not been restored.

EBRD: Funding the Transition

The U.S. approach to East European aid generally is similar to the approach taken in the Marshall Plan: a pattern of waiting for the countries to get together and make their own analysis, and then request aid directed at targets allowing the most effective application of their own available resources.

The most significant U.S. pledge to date is the assumption of a 10 percent share of the $12 billion made available to the European Bank for Recovery and Development.

The EBRD was launched in London on April 15, 1991, to help Eastern Europe and the Soviet Union convert from state socialism to free-market democracy. EBRD economists hope the $12 billion seed capital will generate some $100 billion in private investments over the next five years.

The EBRD is supported by 39 countries, including members of

the EC and seven East European countries. The majority of shares are held by the 12 EC countries, but the largest single share is that of the United States—10 percent. Germany, France, Britain, Italy and Japan each hold 8.5 percent.

The bank is mandated to designate at least 60 percent of the funds to development of the private sector, with a maximum of 40 percent allowed for government agencies.

Augmenting the EBRD program, the World Bank has approved an additional $9 billion for East European investment, bringing the total seed capital to $21 billion by the end of 1993. An optimistic estimate of the capital that can be generated over that period is $175 billion—about 8 percent of EBRD President Jacques Attali's estimated need of $2.2 trillion.

6

Back to the Future

Albert Einstein suggested that time bends and eventually returns to the beginning. If that circle could be completed in a millennium one might fantasize that the ghost of Charlemagne has returned to hover over Eastern Europe. If so, he is seeing much that is different and much that is the same.

The Germans are again unified and powerful. On the site of Charlemagne's Holy Roman Empire sits the new EC. Its boundaries are similar to the lands once ruled by the Franks (except for the absence of "nonaligned" Austria, which hopes to join the EC, but must wait a few years).

Charlemagne would note that this EC empire has no army of its own; armies still are raised by the several states. The old emperor would not be surprised to see that Germany again has the most powerful army in Europe. He might raise an approving eyebrow upon learning that instead of galloping east, hot on the heels of the retreating Slavs, the Germans have decided to dismiss about half their own troops and start cleaning up the 1,000-year old battlefields—on condition, of course, that the

Soviets keep their promise to leave and do likewise, despite any political changes in the Kremlin.

The Slavs and Magyars (Hungarians) still live in the same old places, but this time it is the Germans, not the Magyars, whose armies started and lost two terrible wars and have developed a fondness for peaceful trade.

Most Germans living in Poland, Czechoslovakia and Hungary were expelled after World War II and returned to their ruined fatherland. Now, shades of Peter the Great, they are invited back in great numbers as business and professional people, hard-currency tourists, scientists and technicians, plant managers and consultants.

Time for a Change

We can speculate that Charlemagne, observing all this, would not be dismayed. Historians tell us he was a great ruler, a wise man, multilingual, learned—what Mario Puzo's godfather would call "a serious man." Such a man would understand that it is time for everyone to stop beating his shield and start planting potatoes.

Whatever his failings, Gorbachev is also a "serious man"—a statesman with the courage to face the fact that if everyone continued to beat his shield, the Soviet people would soon run out of potatoes.

Gorbachev jettisoned the Warsaw Pact allies, and with them the costly baggage of war. He opened up a 200-to-500-mile strip between NATO and the Soviet Union which in time might be virtually disarmed. With increased insurance that surprise attack is no longer viable, both sides can move into a position to halve their armed forces, radically reduce defense costs, and deal with the major problem of the next couple of decades: to help East Europeans and, beyond them, the people of the Soviet Union join the West as partners.

All this might easily be achieved by great statesmen leading patient and contented constituents who are willing to make personal sacrifices for desirable long-term goals. Now let's talk about the real world and the hazards that lie directly ahead.

Wencelas Square packed with thousands of demonstrators during the largest-ever antigovernment protest in Communist Czechoslovakia on November 20, 1989.

AP Wide World Photos

In 1989, when East Europeans first found their voice, they talked democracy, revolution, overthrow of the Communist system. In the first phase, everybody had a single idea, but, as in the American and French revolutions, soon everybody had a different idea.

Dozens of mushrooming dissident groups started to call themselves political parties. Organization of national parties and election of competent governments sorely tested the political skills of people who had been barred from adversarial politics for 50 years or more. Miracles even more profound than the initial act of revolt were needed if the revolutions were to succeed.

With only weeks to prepare for national elections, there was rapid bonding of the anti-Communist groups into instant coalitions, like Havel's Civic Forum in Czechoslovakia, formed in the middle of the night in a meeting of Czech and Slovak leaders while hundreds of thousands gathered a few blocks away in Wenceslas Square.

Once the elections were over and the Communists tossed out, pieces came unstuck as ethnic and political factions vied for their shares of the new power.

Eighteen months after the Czech revolution, in March 1991, President Havel was pushed and shoved and called "Judas!" in the streets of Bratislava. Slovaks, less affluent than the Czechs, have always feared domination by the Czech majority. Havel is a Czech. Dubcek, the charismatic Slovak leader of the Prague Spring days, supports Havel, but many Slovaks don't trust Dubcek any longer, either.

It appears, at this writing, that Havel has chosen to push the Slovaks to a clear referendum on the question of separation. Either a yes or no vote would be better than letting the issue fester into a Yugoslavia-type ethnic hatred.

In Poland, yesterday's hero, Walesa, the former Gdansk shipyard worker, goes to work every morning knowing that nearly half the Poles don't like him anymore. If his presidency falls, the whole shaky political structure might collapse. Poland's case requires close attention and the generous cooperation of Western governments, continuing what was started in March by the Paris Club* in drastically reducing Poland's hard-currency debts.

In early 1990, Kohl promised unification to 130,000 East Germans in Erfurt who greeted him with shouts of "Helmut! Helmut!" Only 14 months later the crowd in Erfurt that came to hear Kohl numbered in the hundreds, and there was some egg throwing and shouts of "Lugnar! Schwein!" (Liar! Pig!). Kohl, an overnight hero for reunifying Germany, is now scorned not only in eastern Germany but in his own political districts.

Economically, Poland, Czechoslovakia and Hungary have what is needed ultimately to establish free-market systems. The question seems to be not "if" but "how long." Absent bad surprises, and with a fair amount of help from the West, economists estimate five to ten years for each of them to reach the take-off point where growth can be sustained without outside assistance.

Prospects for Romania, Bulgaria and Albania are poor. They

have few economic assets to fall back on and have not yet shaken off the Marxist system that ruined them for the past half century. The good news is that in 1990 the first contested elections in 50 years were held in Romania and Bulgaria. The bad news is that the Communists were reelected. This compares with the East German and Czech parliaments where only 16 percent of the seats were won by Communists, and the Polish senate where the Communists won no seats. In no other part of Europe are the old ethnic hatreds more intense and potentially destructive than in the six republics of Yugoslavia. If hostilities can be ended and a new confederation agreed on, Yugoslavia could be close behind Czechoslovakia and Hungary five years from now.

Hatreds Die Hard

An incident in Irwin Shaw's novel *Rich Man, Poor Man* deals with the emotional tightwire on which all Europeans must learn to dance together. A teenage American boy is taken to his high school by his German-born father to protest the son's low grade in French.

The teacher is a sharp-tongued, French-born woman. An argument explodes into a seething dispute in which the older people exchange invectives and obscenities in their native tongues. Suddenly, the father slaps the teacher and marches his son out of the school.

On the way home, the old man begins to cool down.

"You sorry I hit her?" he asks.

"Yes," the boy replies.

"You've lived all your life in this country," the father says. "You don't know what real hating is."

It has been and will be difficult for Europeans, with their thousand years of mutual butchery and accumulated hatreds, to achieve a European nation. Still, they have been doing just that in Western Europe since 1945. The miracles of creation often emerge from chaos.

If it happens, if the dreams of Robert Schuman, Jean Monnet, Konrad Adenauer, Ernest Bevin, Alcide de Gasperi, Charles de Gaulle, Paul Hoffman, Paul-Henri Spaak, George C. Marshall,

and the rest of the pioneers for a united Europe—yes, include now Mikhail Gorbachev—are realized, it will indeed be a miracle. And it will have happened because, in the span of a single generation, Europeans blundered into two catastrophic wars and emerged in 1945 to find that European genius had made it possible finally to end all wars by simply extinguishing the entire fractious human race. While the Nazis committed what seemed to be history's supreme horrors, other Europeans—Albert Einstein, Enrico Fermi, Leo Szilard, Niels Bohr—led the Americans into the atomic age.

Old hatreds die hard. Most of the ethnic conflicts that are plaguing Eastern Europe are connected with a thousand-year history of grabbing land and grabbing it back. But there may come a time when this game will no longer be played. Germany has renounced claim to all lands taken from it after World War II. That's a start.

Although several East European countries have expressed the desire to join NATO and the new EC, authorities consider these moves unlikely for at least 10 years. The EC has a list of better-qualified prospects, like Finland, Austria and Sweden, but the feeling is that it will need a few years of seasoning before new members can be admitted.

All things considered, for the next 10 years in Eastern Europe the most precious—and scarcest—asset will be patience.

As in the days of Czar Peter the Great, the East European governments are again desperately seeking West European (especially German) help to open the doors to the West. Everyone is aware that this decade is pivotal. If the East European transition is a failure, the world may have to relive some of the worst tragedies of the past thousand years. If the transition is a success, it may enter the next millennium with the combined strength of Europe, North America and the industrial democracies of Asia prepared to help the Soviet republics and the Third World peacefully find their own way into the future.

Merely to speak of the future in the Soviet Union and Eastern Europe requires a leap of faith.

At this stage of chaos there are no good predictions, only

guesses about best-case and worst-case scenarios. A worst-case scenario might include events such as the following:

- Civil war in several Soviet republics.
- Civil war in Yugoslavia, spreading to involve Hungary, Albania, Greece and Bulgaria, conceivably even the U.S.S.R. and the Western powers. (During the August 19 coup, some Soviet leaders indicated that Soviet troops might be used if Western forces intervened.)
- Collapse of support for President Walesa's government, leading to political and economic chaos.
- Major population shifts as dissatisfied ethnic minorities try to go "home."

This last item relates to the most pernicious "gut" issue in Eastern Europe—ethnonationalist minorities resulting from redrawn boundaries during the twentieth-century wars. Examples:

Two years ago, only 50,000 Poles claimed to be ethnic Germans; now there are more than a million who have come out of the closet to proclaim their German ancestry.

A million Poles live in the Soviet Union.

Some 2 million Hungarians live in Romania.

Nearly 2 million Albanians live in Yugoslavia, most of them ruled by the Serbians.

About 350,000 Greeks live in Albania.

More than a million Turkish Muslims live in Bulgaria.

Six-hundred thousand Serbs live in Croatia.

Four-hundred thousand Hungarians live in Yugoslavia.

Over 60 million Soviet citizens, including over 25 million Russians, live outside their ethnic homelands.

While most of the former bloc countries have eliminated visas for Europeans and Americans, the relatively affluent countries fear being inundated by immigrants from relatively poor countries next door.

The Poles fear possible illegal migration of a million Soviet citizens. The Germans, in turn, fear migration of a horde of Poles, many of whom smuggle goods to sell in the streets of Germany.

Illegal Polish immigrants working for low wages are feared by

eastern German workers who already suffer 25 percent unemployment. In April 1991, at a ceremonial opening of a "bridge of friendship" between Poland and Germany, a gang of neo-Nazis shouted "Sieg Heil!" and "Germany for the Germans!" A bus carrying a Polish "friendship orchestra" was stoned.

Austria tries to think positively about its immigration problems. There are 130,000 Yugoslavs (Croats, Slovenes and Serbs) in Vienna alone, as well as tens of thousands of Poles, Hungarians and Czechoslovakians. Austria, which is owed $16 billion by East European countries, is working with Italy, Yugoslavia, Hungary and Czechoslovakia to establish a regional economic development program. A key part of the program is to promote convertible currency for all the East European countries.

Italy is also experiencing migration pressures from Albania and Yugoslavia and is exploring joint economic ventures with Yugoslavia. France, Britain and other West European countries are trying to find ways to help stabilize postrevolutionary Eastern Europe.

All of these are signals of potential political problems.

There is little of the American-style melting pot in Eastern Europe. Every ethnolinguistic group has the potential of becoming a bamboo sliver under the fingernails of a government.

Some governments are more enlightened than others in dealing with ethnic minorities. The Hungarians compare themselves favorably with the Poles, saying that in Hungary, minorities, including Jews, are regarded as an asset, whereas in Poland they are regarded as a liability and discriminated against in business and politics.

An End to Nationalism

As for best-case scenarios, the key was described by Milovan Djilas, former vice-president of Yugoslavia and close friend of Marshal Tito until Tito had him thrown in jail for free thinking. Djilas wrote in 1969 that the future of Eastern Europe "is one of expanding and guaranteeing human potentialities and values, rather than national ones."

"Only by abandoning nationalism and joining the larger

Europe can Eastern Europe become a part of the world, politically, economically and culturally," Djilas said.

Other East Europeans like Havel and Walesa express the same views.

The best of all possible scenarios:

- The Soviets and the East Europeans will park strident nationalism and ideology behind the store and concentrate on the customers; the voters will be patient, and the wealthy countries will find ways to help ease the pain of transition.
- The surviving Communist leaders in Moscow, Bulgaria, Romania and Serbia, acknowledging that their time has passed, will yield power back to the people and join the crowd.
- The Communist military and secret police still in power will step down rather than face a bloodbath.
- The Poles, Czechs, Hungarians, Yugoslavians and perhaps Lithuanians, Latvians and Estonians will form a subregional cluster of emerging market societies whose success will serve as a model for Romania, Bulgaria and Albania.
- The Soviet and Yugoslavian republics will peacefully find their way into a new union.

If there is any trouble about all that, perhaps the two wise men of Europe, Charlemagne and Jean Monnet, will step down to convene a meeting to make sure everybody clearly understands the alternatives.

* * *

GLOSSARY

A few words about words:

*The collapse of Marxism was essentially a victory of democracy over communism, but many people proclaimed it to be a capitalist "victory" over socialism.**

*Capitalism** *does continue to be the main engine running the world economy, but it receives assistance from a whole spectrum of socialist systems. Even in what is known as the capitalist world, the two economic philosophies live together under the same pluralistic democratic tent.*

The point is important because the failure of Marxism does not relieve us of the world's great dilemma: Socialism too often is a poor producer; capitalism too often is a poor distributor.

All democratic industrial societies grope pragmatically for the most effective mix of the two kinds of economic systems. East European countries emerging from the rubble of Marxism are acutely aware that what is needed is less ideology and more thoughtful study of the horrendous economic problems facing the world. "Victory for capitalism" needs a better definition than merely the failure of Marxism.

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apparatchik: an official blindly devoted to his superiors or organization.

capitalism: an economic system in which there is private or corporate ownership of the means of production and where prices, production and distribution are determined for the most part in a free market.

Commodity Credit Corporation: finances commodity-stabilization programs, domestic and export surplus-commodity disposal, foreign assistance, etc.

communism: totalitarian system of government in which a single party controls the state and the state owns the means of production.

Conference on Security and Cooperation in Europe (CSCE): an international conference attended by the United States, Canada and 33 countries of Europe to discuss East-West issues of mutual concern, which culminated in the signing of the Helsinki Agreement (comprising three separate "baskets" or areas dealing with security, cooperation and human rights) in 1975. There have been periodic follow-up meetings.

Council for Mutual Economic Assistance (CMEA, or Comecon): established by the Soviet Union in 1949 ostensibly as a response to the Marshall Plan (see below); in 1990 the group agreed to gradually adopt a free-market approach in trading policies. Formally ended June 28, 1991.

European Community (EC): collective designation of the European Coal and Steel Community, the European Economic Community and the European Atomic Energy Community. Members include Belgium, Britain, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. The community is preparing to become a single unified market in 1992.

European Recovery Program (ERP): official name for the Marshall Plan, proposed by Secretary of State George C. Marshall in 1947, which helped rehabilitate 16 war-torn European economies and halt the spread of communism.

Export-Import Bank (Eximbank): autonomous agency of the U.S. government created in 1934 that issues long-term loans to importers of U.S. products and provides loan guarantees to banks to finance purchases of U.S. goods.

fascism: a political movement or system of government that places nation and race above the individual and calls for a centralized autocratic regime, the regimentation of society and the economy, and the suppression of dissent.

International Monetary Fund (IMF, or Fund): international financial organization, created at the United Nations Monetary and Financial Conference in Bretton Woods, New Hampshire, in 1944, which has as its chief purpose the maintenance of international monetary stability.

irredentism: policy of a nation to incorporate territory historically or ethnically related to it within its own boundaries.

Maoism: philosophy and practice of Marxism-Leninism developed by Mao Zedong (1893–1976), founder of the People's Republic of China in 1949.

Marshall Plan: See European Recovery Program.

Marxism: socialist theory of German philosopher Karl Marx that revolutionary seizure of power by and the dictatorship of the proletariat will lead to the establishment of a classless society.

nomenklatura: in Communist countries, the true power elite; people in leading positions on various levels of the hierarchy, who are appointed not by department heads but by higher authorities.

North Atlantic Treaty (and its organization—NATO): a political and military alliance, formed in 1949 in response to the perceived hostility of the Soviet Union, that links the United States, Canada and Western Europe in a collective defense group; NATO promotes a constructive East-West relationship and economic, scientific and cultural cooperation within the organization.

Organization for Economic Cooperation and Development (OECD): a 24-member organization of industrialized nations established in 1961 to promote economic growth and expand world trade.

Paris Club: officially known as the Group of 10 (G-10), its members are the wealthiest industrial members of the International Monetary Fund (see above) and are recognized as the decisionmaking body of that organization.

polarization: division into two opposing forces.

revanchism: the policy pursued by a government to recover lost territory.

socialism: a system in which the government owns and administers the means of production and the distribution of goods; also a political movement that favors the redistribution of wealth, income and power for the benefit of the disadvantaged.

Stalinism: Joseph Stalin's version of communism, implemented by a dictatorship that rules through the extensive use of state terrorism.

Warsaw Pact: alliance formed by Treaty of Friendship, Cooperation and Mutual Assistance in 1955 by the U.S.S.R. and its seven East European allies in response to measures taken by Western governments to bring about the rearmament of West Germany and its inclusion in NATO and the Western European Union. The six remaining members disbanded the military structure as of March 31, 1991; the political arm came to a formal end July 1, 1991.

World Bank: officially called the International Bank for Reconstruction

and Development (IBRD), this sister institution of the International Monetary Fund (see above) was created to mobilize and allocate capital resources for the reconstruction of devastated Western nations and the expansion of world trade and production.

Yalta agreement: at their meeting in Yalta in 1945, the Big Three (Franklin D. Roosevelt, Winston Churchill and Joseph Stalin) agreed on plans for dividing Germany and promoting new boundaries and government reorganization for Poland, which, together with other liberated Central European countries, was to hold free elections.

Talking It Over

A Note for Students and Discussion Groups

This issue of the HEADLINE SERIES, like its predecessors, is published for every serious reader, specialized or not, who takes an interest in the subject. Many of our readers will be in classrooms, seminars or community discussion groups. Particularly with them in mind, we present below some discussion questions—suggested as a starting point only—and references for further reading.

Discussion Questions

No nation's political system can succeed if its economy collapses. Discuss the economic problems and potential of the emerging free-market economies in Eastern Europe and the Soviet Union. First, review them individually, then as a region. Looking 10 years down the road, what now appear to be the most natural affiliations that might develop?

Keep in mind that economic affiliations are more easily achieved among countries with similar standards of living. There are several possible lines of development, for example:

1. Regional (East European) or subregional (e.g., Poland, Hungary, Czechoslovakia and Yugoslavia) mutual-trade agreements can be rooted in existing relations while adapting new free-market principles.

2. Governments can work individually or collectively toward eventual affiliation with the EC.

3. Governments can maintain existing trade connections with the Soviet Union.

4. Individually, countries can try to sell their strongest export items to hard-currency countries anywhere in the world and seek joint ventures wherever there seems to be available capital.

In fact, all East European countries are exploring all of the above lines, simultaneously.

* * *

Think about some of the lessons to be learned from history and how these might apply to different parts of Eastern Europe. Think, too, about how these lessons bear on the ability of the United States, Germany, Japan and other wealthy countries to assist East Europeans. For example:

1. In the sixteenth and seventeenth centuries, Spain took tons of gold from the New World and became the richest country in the world. Other European countries, having no gold, made goods that Spain would buy. Spain, having so much gold, did not need to make its own goods. After several generations, other Europeans owned both the factories and the gold and became rich. Spain, owning neither the gold nor the factories, became poor.

2. After World War I, the allies demanded enormous reparations from Germany, including massive amounts of German coal for France. German coal miners were all employed and French coal miners were put out of work. Furthermore, the German coal industry developed new technologies to increase productivity while other European mines chugged along with the old machinery. After World War II, the reparations were not so severe, but the patterns were similar: Germany and Japan in defeat developed a momentum of growth that carried them past the victors.

3. Do the experiences of Spain, Germany and Japan carry a message for Americans as they try to find ways to help other countries in need? After World War II, the United States had the most progressive labor and management concepts and the most advanced technologies. The rest of the world, desperate to compete in its marketplace, learned everything it had to teach them and then improved on U.S. systems. Did Americans make the Spanish blunder? Did we come to believe that our money was the true wealth?

4. Would the United States have been better able to help Eastern Europe 10 years ago? Will it be in a better position 10 years from now? Why?

5. The Germans, by committing their capital to the industrial development of former East Germany, have greatly increased the wealth of all Germany. The United States, on the other hand, will find it difficult to finance East European development without adding to its own gigantic debt burdens.

* * *

This brings us again to the question of wealth: Eastern Europe needs all the wealth it can muster, but money is in short supply. What other forms of wealth or assets are available in each country? Consider, for example, labor and management skills or the work ethic itself. Inventive genius and initiative are also sources of wealth.

* * *

Communists still hold significant power in Romania, Bulgaria, Serbia (the largest Yugoslav republic) and Albania. What do these four have in common, and how do they differ from the northern group of eastern Germany, Hungary, Czechoslovakia, Poland and—in northern Yugoslavia—the republics of Croatia and Slovenia?

* * *

What is *Drang nach Osten?* How has it affected Eastern Europe since the days of Charlemagne? What is its effect in the twentieth century? What might be its effect in the future? Will the new EC make any difference?

READING LIST

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The Times Atlas of World History. Maplewood, N.J., Hammond, 1986. In no other part of the world are history and geography so entwined as in Eastern Europe. This atlas does an excellent job, both in text and visuals, of clarifying the 1,000-year story of the people and their places.

U.S. Department of State Dispatch. This weekly publication provides a diverse compilation of foreign policy information from the State Department.

World Development Report 1991: The Challenge of Development. Baltimore, Md., The Johns Hopkins University Press for the World Bank, 1991.

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